

ASX Release

29 March 2018

Scheme Booklet Registered with ASIC

LifeHealthcare Group Limited (ASX: LHC) is pleased to announce that the Australian Securities and Investments Commission (ASIC) has registered the scheme booklet (Scheme Booklet) in relation to the proposed acquisition of all the shares on issue in LifeHealthcare by Pacific Health Supplies BidCo Pty Limited, an entity owned by funds managed or advised by Pacific Equity Partners, by way of a scheme of arrangement (the Scheme). This follows the issuance of orders by the Federal Court of Australia (the Court) today approving despatch of the Scheme Booklet to LifeHealthcare shareholders and the convening of a meeting of LifeHealthcare shareholders to consider and vote on the Scheme (Scheme Meeting), which was announced by LifeHealthcare earlier today.

Further, the Independent Expert appointed by the Board of Directors of LifeHealthcare in relation to the Scheme, KPMG Corporate Finance, has concluded that the Scheme is fair and reasonable and therefore is in the best interests of LifeHealthcare shareholders in the absence of a superior proposal.

A copy of the Scheme Booklet, including the Notice convening the Scheme Meeting and the Independent Expert's Report, is attached to this announcement.

A copy of the Scheme Booklet, including the notice convening the Scheme Meeting and the Independent Expert's Report, will be sent to LifeHealthcare shareholders on Wednesday, 4 April 2018. Those LifeHealthcare shareholders who have previously elected to receive notifications from LifeHealthcare's share registry in electronic format will be sent the Scheme Booklet electronically and LifeHealthcare will send the Scheme Booklet to all other shareholders by post.

The Board of Directors of LifeHealthcare continues to unanimously recommend that LifeHealthcare shareholders vote in favour of the Scheme at the upcoming Scheme Meeting, in the absence of a superior proposal. Subject to the same qualification, each LifeHealthcare Director intends to vote all LifeHealthcare shares held or controlled by them in favour of the Scheme.

Ends

For further information contact:

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Scheme Booklet

For a scheme of arrangement in relation to the proposed acquisition of all LifeHealthcare Shares held by Scheme Shareholders by Pacific Health Supplies BidCo Pty Limited (ACN 624 033 889) (the **Bidder**), an entity owned by funds managed or advised by Pacific Equity Partners.

YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU APPROVE THE SCHEME BY VOTING IN FAVOUR OF THE SCHEME RESOLUTION, IN THE ABSENCE OF A SUPERIOR PROPOSAL.

THE INDEPENDENT EXPERT HAS CONCLUDED THAT THE SCHEME IS IN THE BEST INTERESTS OF LIFEHEALTHCARE SHAREHOLDERS IN THE ABSENCE OF A SUPERIOR PROPOSAL.

Vote in favour

This is an important document and requires your immediate attention. You should read this document carefully and in its entirety before deciding whether or not to vote in favour of the resolution to approve the Scheme. If you are in doubt as to what you should do, you should consult your legal, financial or other professional adviser.

If, after reading this Scheme Booklet, you have any questions about the Scheme or the number of LifeHealthcare Shares you hold or how to vote, please call the Shareholder Information Line on 1300 171 780 (within Australia) or +61 3 9415 4370 (outside Australia) Monday to Friday between 9:00am and 5:00pm (Sydney time).

If you have recently sold all of your LifeHealthcare Shares, please disregard this document.

Financial Adviser



Legal Adviser





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Important notices

Defined terms

Capitalised terms used in this Scheme Booklet are defined in the Glossary in Section 9.

This Scheme Booklet

This Scheme Booklet includes the explanatory statement required to be sent to LifeHealthcare Shareholders in relation to the Scheme under Part 5.1 of the Corporations Act. A copy of the proposed Scheme is set out in Attachment C to this Scheme Booklet.

You should read this Scheme Booklet carefully and in its entirety before making a decision as to how to vote on the resolution to be considered at the Scheme Meeting. If you are in doubt as to what you should do, you should consult your legal, financial or other professional adviser.

Responsibility for information

- (a) Except as provided in paragraphs (b) to (d) below, the information in this Scheme Booklet has been provided by LifeHealthcare and is the responsibility of LifeHealthcare. The Bidder Group and their directors, officers, employees and advisers do not assume any responsibility for the accuracy or completeness of any information other than as set out in paragraphs (b) to (d) below.
- (b) The Bidder Group has provided and is responsible for the Bidder Group Information. LifeHealthcare and its directors, officers, employees and advisers do not assume any responsibility for the accuracy or completeness of the Bidder Group Information.
- (c) PricewaterhouseCoopers has provided and is responsible for the information contained in Section 7. Neither LifeHealthcare nor the Bidder Group assumes any responsibility for the accuracy or completeness of the information contained in Section 7. PricewaterhouseCoopers does not assume any responsibility for the accuracy or completeness of the information contained in this Scheme Booklet other than that contained in Section 7.
- (d) The Independent Expert, KPMG Corporate Finance, has provided and is responsible for the information contained in Attachment E to this Scheme Booklet. LifeHealthcare does not assume any responsibility for the accuracy or completeness of the information contained in Attachment E to this Scheme Booklet except in relation to information given by it to the Independent Expert. The Bidder Group does not assume any

responsibility for the accuracy or completeness of the information contained in Attachment E to this Scheme Booklet. The Independent Expert does not assume any responsibility for the accuracy or completeness of the information contained in this Scheme Booklet other than that contained in Attachment E.

- (e) Computershare has had no involvement in the preparation of any part of this Scheme Booklet other than being named as LifeHealthcare's Share Registry. Computershare has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Scheme Booklet.

Investment decisions

The information in this Scheme Booklet does not constitute financial product advice. This Scheme Booklet has been prepared without reference to the investment objectives, financial situation or particular needs of any LifeHealthcare Shareholder or any other person. This Scheme Booklet should not be relied on as the sole basis for any investment decision. Independent legal, financial and taxation advice should be sought before making any investment decision in relation to your LifeHealthcare Shares.

ASIC and ASX involvement

This document is the explanatory statement for the scheme of arrangement between LifeHealthcare and the holders of LifeHealthcare Shares as at the Scheme Record Date for the purposes of section 412(1) of the Corporations Act. A copy of the proposed Scheme is included in this Scheme Booklet as Attachment C to this Scheme Booklet.

A copy of this Scheme Booklet (including the Independent Expert's Report) has been lodged with and registered for the purposes of section 412(6) of the Corporations Act by ASIC. ASIC has been requested to provide a statement in accordance with section 411(17)(b) of the Corporations Act that ASIC has no objection to the Scheme. If ASIC provides that statement, then it will be produced to the Court on the Court Approval Date.

Neither ASIC nor any of its officers take any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet will be lodged with ASX. Neither ASX nor any of its officers take any responsibility for the contents of this Scheme Booklet.

Important notice associated with Court order under subsection 411(1) of the Corporations Act

The fact that under subsection 411(1) of the Corporations Act the Court has ordered that a meeting be convened and has approved the explanatory statement required to accompany the notice of the meeting does not mean that the Court:

- (a) has formed any view as to the merits of the proposed Scheme or as to how members should vote (on this matter members must reach their own decision); or
- (b) has prepared, or is responsible for the content of, the explanatory statement.

Notice regarding Second Court Hearing and if a LifeHealthcare Shareholder wishes to oppose the Scheme

The date of the Second Court Hearing to approve the Scheme is Thursday, 10 May 2018. The hearing will be at 9:00am (Sydney time) at the Federal Court of Australia at Law Courts Building, 184 Phillip Street, Sydney NSW 2000.

Each LifeHealthcare Shareholder has the right to appear and be heard at the Second Court Hearing and may oppose the approval of the Scheme at the Second Court Hearing. If you wish to oppose in this manner, you must file and serve on LifeHealthcare a notice of appearance, in the prescribed form, together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on LifeHealthcare at its address for service at least one day before the Second Court Date (being Thursday, 10 May 2018). The address for service for LifeHealthcare is:

LifeHealthcare
Level 8, 15 Talavera Road
North Ryde NSW 2113
(Attention: Kristine James)
Email: kristine.james@lifehealthcare.com.au

Disclosure regarding forward-looking statements

This Scheme Booklet contains both historical and forward-looking statements.

The forward-looking statements in this Scheme Booklet are not based on historical facts, but rather reflect the current views of LifeHealthcare or, in relation to the Bidder Group Information, the Bidder Group and the Bidder, held only as at the date of this Scheme Booklet concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as "believe", "aim", "expect", "anticipated", "intending", "foreseeing",

“likely”, “should”, “planned”, “may”, “estimated”, “potential”, or other similar words and phrases. Similarly, statements that describe LifeHealthcare’s, the Bidder’s and the Bidder Group’s objectives, plans, goals or expectations are or may be forward-looking statements.

The statements in this Scheme Booklet about the impact that the Scheme may have on the results of LifeHealthcare’s operations, and the advantages and disadvantages anticipated to result from the Scheme, are also forward-looking statements.

Any forward-looking statements included in the Bidder Group Information have been made on reasonable grounds. Although the Bidder and each member of the Bidder Group believes that the views reflected in any forward-looking statements included in the Bidder Group Information have been made on a reasonable basis, no assurance can be given that such views will prove to have been correct. Additionally, statements of the intentions of the Bidder reflect its present intentions as at the date of this Scheme Booklet and may be subject to change.

Any other forward-looking statements included in this Scheme Booklet and made by LifeHealthcare have been made on reasonable grounds. Although LifeHealthcare believes that the views reflected in any forward-looking statements in this Scheme Booklet (other than the Bidder Group Information, the information in Section 7 and the information in Attachment E to this Scheme Booklet) have been made on a reasonable basis, no assurance can be given that such views will prove to have been correct.

These forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause either LifeHealthcare’s, the Bidder’s or the Bidder Group’s actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed, projected or implied by these forward-looking statements. Deviations as to future results, performance and achievements are both normal and to be expected. LifeHealthcare Shareholders should note that the historical financial performance of LifeHealthcare is no assurance of future financial performance of LifeHealthcare (whether the Scheme is implemented or not). LifeHealthcare Shareholders should review carefully all of the information included in this Scheme Booklet. The forward-looking statements included in this Scheme Booklet are made only as of the date of this Scheme Booklet. Neither

LifeHealthcare, nor the Bidder nor any member of the Bidder Group or any of their respective directors give any representation, assurance or guarantee to LifeHealthcare Shareholders that any forward-looking statements will actually occur or be achieved. LifeHealthcare Shareholders are cautioned not to place undue reliance on such forward-looking statements.

Subject to any continuing obligations under law or the ASX Listing Rules, LifeHealthcare, the Bidder and the Bidder Group do not give any undertaking to update or revise any forward-looking statements after the date of this Scheme Booklet to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any such statement is based.

Privacy and personal information

LifeHealthcare, the Bidder and the Bidder Group may collect personal information to implement the Scheme. The personal information may include the names, contact details and details of holdings of LifeHealthcare Shareholders, plus contact details of individuals appointed by LifeHealthcare Shareholders as proxies, corporate representatives or attorneys at the Scheme Meeting. The collection of some of this information is required or authorised by the Corporations Act.

Computershare advises that personal information it holds about you (including your name, address, date of birth and details of the financial assets) is collected by Computershare Group organisations to administer your investment. Personal information is held on the public register in accordance with Chapter 2C of the Corporations Act. Some or all of your personal information may be disclosed to contracted third parties, or related Computershare Group companies in Australia and overseas. Your information may also be disclosed to Australian government agencies, law enforcement agencies and regulators, or as required under other Australian law, contract, and court or tribunal order. For further details about our personal information handling practices, including how you may access and correct your personal information and raise privacy concerns, visit the Registry’s website at www.computershare.com/au for a copy of the Computershare Group condensed privacy statement, or contact Computershare’s Privacy Officer at privacy@computershare.com.au to request a copy of Computershare’s complete privacy policy.

The information may be disclosed to

print and mail service providers, and to LifeHealthcare and the Bidder Group and their respective related bodies corporate and advisers to the extent necessary to effect the Scheme. If the information outlined above is not collected, LifeHealthcare may be hindered in, or prevented from, conducting the Scheme Meeting or implementing the Scheme effectively or at all. LifeHealthcare Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Scheme Meeting should inform that individual of the matters outlined above.

Notice to persons outside Australia

This Scheme Booklet and the Scheme are subject to Australian disclosure requirements, which may be different from the requirements applicable in other jurisdictions. The financial information included in this document is based on financial statements that have been prepared in accordance with Australian equivalents to International Financial Reporting Standards, which may differ from generally accepted accounting principles in other jurisdictions.

Not an offer

This Scheme Booklet and the Scheme do not in any way constitute an offer of securities in any place in which, or to any person to whom, it would not be lawful to make such an offer.

Effect of rounding

A number of figures, amounts, percentages, estimates, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Scheme Booklet.

Times and dates

Unless otherwise stated, all times referred to in this Scheme Booklet are times in Sydney, Australia. All dates following the date of the Scheme Meeting are indicative only and are subject to the Court approval process and the satisfaction or, where applicable, waiver of the conditions precedent to the implementation of the Scheme (see Section 1.2).

Currency

The financial amounts in this Scheme Booklet are expressed in Australian currency unless otherwise stated. A reference to \$ and cents is to Australian currency, unless otherwise stated.

Date

This Scheme Booklet is dated 29 March 2018.

Chairman's letter

Dear LifeHealthcare Shareholder,

On behalf of the LifeHealthcare Directors, I am pleased to provide you with this Scheme Booklet which contains information for your consideration in relation to the proposed acquisition of LifeHealthcare by the Bidder, Pacific Health Supplies BidCo Pty Limited, an entity owned by funds managed or advised by Pacific Equity Partners.

On 6 February 2018, LifeHealthcare announced that it had entered into the Scheme Implementation Deed, under which it is proposed that all LifeHealthcare Shares will be acquired by the Bidder by way of the Scheme. The Scheme is subject to regulatory approvals, the approval of LifeHealthcare Shareholders and certain other conditions precedent (as described in Section 1.2).

Your Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal, and subject to the Independent Expert continuing to consider the Scheme to be in the best interests of LifeHealthcare Shareholders. Subject to those same qualifications, each of your Directors intends to vote, or cause to be voted, all LifeHealthcare Shares held or Controlled by them in favour of the Scheme.

Your Directors consider that the Scheme is a very attractive opportunity for LifeHealthcare Shareholders to realise the value of their investment in LifeHealthcare, in the absence of a Superior Proposal.

The terms of the Scheme provide that LifeHealthcare Shareholders will receive from the Bidder \$3.75 cash per LifeHealthcare Share, less the amount of the Interim Dividend and the Special Dividend (if declared).

Under the Scheme Implementation Deed, LifeHealthcare is permitted to pay the Interim Dividend, which is a fully franked interim dividend of \$0.075 in relation to the financial half year ended 31 December 2017. The LifeHealthcare Board declared this Interim Dividend with the release of LifeHealthcare's first half FY2018 results on 20 February 2018. The Interim Dividend was paid on Wednesday, 21 March 2018, which reduced the Scheme Consideration payable at the date of this Scheme Booklet to \$3.675 per LifeHealthcare Share (being \$3.75, less the Interim Dividend of \$0.075).

If the Scheme becomes Effective, LifeHealthcare Shareholders who are registered as such on both the Scheme Record Date and the Special Dividend Record Date will receive a Total Cash Payment of \$3.675 for each LifeHealthcare Share that they hold, which is expected to comprise:

- a fully franked Special Dividend of \$0.18 per LifeHealthcare Share that they hold on the Special Dividend Record Date (payable by LifeHealthcare); and
- Scheme Consideration of \$3.495 per LifeHealthcare Share that they hold on the Scheme Record Date (payable by the Bidder).

The LifeHealthcare Board has announced an intention to declare a fully franked Special Dividend of \$0.18 per LifeHealthcare Share, subject to the Scheme becoming Effective. If the Special Dividend is declared by the LifeHealthcare Board and the Scheme becomes Effective, it will form part of the Total Cash Payment to be received by LifeHealthcare Shareholders. The proposed Special Dividend is expected to be paid to LifeHealthcare Shareholders on the Implementation Date. If the Special Dividend is not declared by the LifeHealthcare Board but the Scheme nevertheless becomes Effective, the Scheme Consideration will be \$3.675 per LifeHealthcare Share. It remains at the discretion of the LifeHealthcare Board whether the Special Dividend is ultimately declared and paid. The declaration of the Special Dividend is not a condition of the Scheme.

If the Special Dividend is declared, LifeHealthcare Shareholders who hold LifeHealthcare Shares on the Special Dividend Record Date may receive franking credits of \$0.08 per LifeHealthcare Share, subject to confirmation by the Commissioner of Taxation in a Class Ruling. The value of these franking credits will depend upon the tax profile of the recipient LifeHealthcare Shareholder. Section 7 contains high level comments on the expected taxation treatment of the Special Dividend.

The Total Cash Payment, plus the value of the Interim Dividend, of \$3.75 per LifeHealthcare Share represents an attractive premium over trading prices of LifeHealthcare Shares on the ASX prior to the announcement of the proposed Scheme:

- 46% premium to the closing price of \$2.57 per LifeHealthcare Share on 2 February 2018 (being the last day on which LifeHealthcare Shares traded before LifeHealthcare announced that it and the Bidder had entered into the Scheme Implementation Deed);
- 44% premium to the 1-month VWAP to 2 February 2018; and
- 42% premium to the 3-month VWAP to 2 February 2018.

The Total Cash Payment, plus the value of the Interim Dividend, of \$3.75 per LifeHealthcare Share implies a fully diluted market capitalisation for LifeHealthcare of \$179 million¹ and an enterprise value of approximately \$211 million².

1. Based on 47.8 million shares, comprising 44.9 million existing LifeHealthcare Shares, 2.7 million LifeHealthcare Options and 0.1 million LifeHealthcare Performance Rights.

2. Based on net debt at 31 December 2017 of \$38.4 million, before adjustment for the proceeds from exercise of any LifeHealthcare Options associated with the Scheme.

DIRECTORS' RECOMMENDATION

Your Directors have considered the advantages and disadvantages of the Scheme, **and unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal, and subject to the Independent Expert continuing to consider the Scheme to be in the best interests of LifeHealthcare Shareholders. Subject to those same qualifications, each of your Directors intends to vote, or cause to be voted, all LifeHealthcare Shares held or Controlled by them in favour of the Scheme.**

While the LifeHealthcare Board is confident that LifeHealthcare is well positioned to continue to deliver growth for LifeHealthcare Shareholders into the future, your Directors consider that the material premium implicit in the Bidder's offer and the opportunity to realise certain and immediate value represents an attractive outcome for LifeHealthcare Shareholders.

Reasons to vote in favour of the Scheme Resolution are set out in detail in Section 2.2. There are also reasons why you may choose to vote against the Scheme Resolution which are set out in Section 2.3.

INDEPENDENT EXPERT

Your Directors appointed KPMG Corporate Finance as the Independent Expert. **The Independent Expert has concluded that the Scheme is in the best interests of LifeHealthcare Shareholders in the absence of a Superior Proposal.** The Independent Expert has assessed the full underlying value of LifeHealthcare at between \$3.54 and \$3.96 per LifeHealthcare Share. The Total Cash Payment of \$3.675 per LifeHealthcare Share is within this valuation range.

A complete copy of the Independent Expert's Report is included as Attachment E to this Scheme Booklet.

HOW TO VOTE

The Scheme can only be implemented if it is approved by the Court and also approved by LifeHealthcare Shareholders by the Requisite Majorities at the Scheme Meeting, which will be held at 10:00am (Sydney time) on Thursday, 3 May 2018 at the offices of the Registry, Computershare, at Level 4, 60 Carrington Street, Sydney NSW 2000.

Your vote is important and I strongly encourage you to vote on this significant proposed transaction. You may vote on the Scheme Resolution by attending the Scheme Meeting in person, or by appointing a proxy, attorney or body corporate representative to attend the Scheme Meeting and vote on your behalf. If you do not wish to or are unable to attend the Scheme Meeting in person, I encourage you to vote on the Scheme Resolution by completing the personalised proxy form accompanying the Scheme Booklet and returning it to Computershare Investor Services Pty Ltd, GPO Box 242, Melbourne VIC 3001 so that it is received no later than 10:00am (Sydney time) on Tuesday, 1 May 2018.

FURTHER INFORMATION


This Scheme Booklet sets out important information relating to the Scheme, including the reasons for your Directors' recommendation and the Independent Expert's Report. It also sets out some of the reasons why you may wish to vote against the Scheme.

I encourage you to read this Scheme Booklet carefully and in its entirety as it contains important information that you should consider before you vote. You should also seek independent legal, financial, taxation or other professional advice before making an investment decision in relation to your LifeHealthcare Shares.

If you have any questions regarding the Scheme or this Scheme Booklet you should contact the LifeHealthcare Shareholder Information Line on 1300 171 780 (within Australia) or +61 3 9415 4370 (outside Australia) on Monday to Friday between 9:00am and 5:00pm (Sydney time).

On behalf of the LifeHealthcare Directors, I thank you for your ongoing support and I look forward to your participation at the Scheme Meeting.

Yours sincerely,



Bill Best
Chairman

LifeHealthcare Group Limited

Key dates

Key Dates	Event
10:00am (Sydney time) on Tuesday, 1 May 2018	Scheme Meeting proxies – the last date and time by which proxy forms (including proxies lodged online), powers of attorney or certificates of appointment of body corporate representative for the Scheme Meeting must be received by the Registry.
7:00pm (Sydney time) on Tuesday, 1 May 2018	Scheme Meeting record date – date and time for determining eligibility to vote at the Scheme Meeting.
10:00am (Sydney time) on Thursday, 3 May 2018	Scheme Meeting

If LifeHealthcare Shareholders approve the Scheme at the Scheme Meeting

Thursday, 10 May 2018	Second Court Date – to approve the Scheme. Special Dividend declared¹
Friday, 11 May 2018	Effective Date – this is the date on which the Scheme becomes Effective and is binding on LifeHealthcare Shareholders. LifeHealthcare Shares will be suspended from trading at the close of trading on the ASX on the Effective Date. If the Scheme proceeds, this will be the last day that LifeHealthcare Shares will trade on the ASX.
7:00pm (Sydney time) on Wednesday, 16 May 2018	Special Dividend Record Date¹ – all LifeHealthcare Shareholders who hold LifeHealthcare Shares on the Special Dividend Record Date will be entitled to receive the Special Dividend (if declared).
7:00pm (Sydney time) on Monday, 21 May 2018	Scheme Record Date – all LifeHealthcare Shareholders who hold LifeHealthcare Shares on the Scheme Record Date will be entitled to receive the Scheme Consideration.
Friday, 25 May 2018	Implementation Date and Special Dividend Payment Date – all Scheme Shareholders will be sent the Scheme Consideration to which they are entitled, and, if declared, the Special Dividend is also expected to be paid, on this date.

All dates following the date of the Scheme Meeting are indicative only and are subject to the Court approval process and the satisfaction or, where applicable, waiver of the conditions precedent to the implementation of the Scheme (see Section 1.2). All dates and times, unless otherwise indicated, refer to the date and time in Sydney, Australia. Any changes to the above timetable will be announced to ASX and notified on LifeHealthcare's website at <http://www.lifehealthcare.com.au>.

1. Subject to the determination of the LifeHealthcare Board.

Purpose of this Scheme Booklet

On 6 February 2018, the LifeHealthcare Directors unanimously recommended that LifeHealthcare Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert concluding that the Scheme is in the best interests of LifeHealthcare Shareholders.

Subject to the same qualifications, each LifeHealthcare Director continues to recommend that LifeHealthcare Shareholders vote in favour of the Scheme and intends to vote, or cause to be voted, all LifeHealthcare Shares held or Controlled by them in favour of the Scheme. The Relevant Interests of LifeHealthcare Directors in LifeHealthcare Shares as at the date of this Scheme Booklet are set out in Section 8.1.

The transaction will be effected by way of a scheme of arrangement, enabling LifeHealthcare Shareholders to vote on the Scheme.

The purpose of this Scheme Booklet is to explain the terms of the proposed Scheme and provide you with information on the Scheme to assist you in your decision whether or not to vote in favour of the Scheme.

Voting will take place at the Scheme Meeting to be held at 10:00am (Sydney time) on Thursday, 3 May 2018 at the offices of Computershare at Level 4, 60 Carrington Street, Sydney NSW 2000. You should read this Scheme Booklet in full before deciding how to vote. The Scheme has a number of advantages, disadvantages and risks, which may affect LifeHealthcare Shareholders in different ways depending on their individual circumstances. LifeHealthcare Shareholders should seek professional advice on their particular circumstances, as appropriate.

Purpose of this Scheme Booklet continued

REASONS TO VOTE IN FAVOUR OF THE SCHEME

✓	The LifeHealthcare Board unanimously recommends that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider the Scheme to be in the best interests of LifeHealthcare Shareholders
✓	The Independent Expert concluded that the Scheme is in the best interests of LifeHealthcare Shareholders in the absence of a Superior Proposal
✓	The Total Cash Payment, plus the value of the Interim Dividend, represents an attractive premium to the trading levels of LifeHealthcare Shares on the ASX prior to the announcement of the Scheme on 6 February 2018
✓	You will receive certain value of \$3.675 per LifeHealthcare Share for your investment in LifeHealthcare
✓	As part of the Total Cash Payment to be received under the Scheme, LifeHealthcare Shareholders are expected to receive a fully franked Special Dividend of \$0.18 per LifeHealthcare Share. If the Special Dividend is declared, LifeHealthcare Shareholders who hold LifeHealthcare Shares on the Special Dividend Record Date may receive franking credits of \$0.08 per LifeHealthcare Share, subject to confirmation by the Commissioner of Taxation in a Class Ruling. The value of these franking credits will depend upon the tax profile of the LifeHealthcare Shareholder
✓	No Superior Proposal has been received by the LifeHealthcare Board as at the date of this Scheme Booklet
✓	The Scheme allows you to sell all of your LifeHealthcare Shares
✓	If the Scheme does not proceed, and no comparable proposal or Superior Proposal is received by the LifeHealthcare Board, the LifeHealthcare Share price is expected to fall
✓	If the Scheme does not proceed, LifeHealthcare Shareholders will continue to be exposed to risks associated with LifeHealthcare's business rather than realising certain value for their LifeHealthcare Shares in a certain timeframe
✓	No brokerage or stamp duty will be payable by you on the transfer of your LifeHealthcare Shares under the Scheme

For more information about the reasons to vote in favour of the Scheme, please see Section 2.2 which LifeHealthcare Shareholders should read carefully and in its entirety.

REASONS NOT TO VOTE IN FAVOUR OF THE SCHEME

✗	You may disagree with the LifeHealthcare Board's recommendation and the opinion of the Independent Expert and consider that the Scheme is not in your best interests
✗	You may prefer to realise the potential value of LifeHealthcare over the long term, and may consider that the Scheme does not capture LifeHealthcare's long term potential
✗	You may believe that it is in your best interests to maintain your current investment and risk profile
✗	The tax consequences of the Scheme may not suit your current financial position
✗	You may believe that there is the potential for a Superior Proposal to be made in the foreseeable future. However, as at the date of this Scheme Booklet, no Superior Proposal has been received by the LifeHealthcare Board

For more information about the reasons to vote against the Scheme, please see Section 2.3, which LifeHealthcare Shareholders should read carefully and in its entirety.

Next steps

(a) Carefully read this Scheme Booklet

This is an important document and you should read it carefully and in its entirety before making a decision on how to vote at the Scheme Meeting.

(b) Vote on the Scheme

As a LifeHealthcare Shareholder, you are entitled to vote on whether the Scheme should proceed at the Scheme Meeting.

Please refer to the following pages of this Scheme Booklet for details on how to vote at the Scheme Meeting, including by proxy.

(c) Seek further information

If you have any questions in relation to the Scheme or the number of LifeHealthcare Shares you hold or how to vote, please call the Shareholder Information Line on 1300 171 780 (within Australia) or + 61 3 9415 4370 (outside Australia) Monday to Friday between 9:00am and 5:00pm (Sydney time).

If you have any doubts as to the actions you should take or you have further questions, please contact your legal, investment or other professional adviser.

(d) Why you should vote

As a LifeHealthcare Shareholder, you have a say in whether the Bidder will acquire all of the LifeHealthcare Shares. This is your opportunity to play a role in deciding the future of LifeHealthcare.

How to vote

WHO IS ENTITLED TO VOTE AT THE SCHEME MEETING?

If you are registered on the Register as a LifeHealthcare Shareholder at 7:00pm (Sydney time) on Tuesday, 1 May 2018, then you will be entitled to attend and vote at the Scheme Meeting. Voting is not compulsory.

JOINT HOLDERS

In the case of LifeHealthcare Shares held by joint holders, only one of the joint holders is entitled to vote. If more than one shareholder votes in respect of jointly held LifeHealthcare Shares, only the vote of the LifeHealthcare Shareholder whose name appears first in the Register will be counted.

YOUR VOTE IS IMPORTANT

In order for the Scheme to be implemented, the Scheme Resolution must be approved by LifeHealthcare Shareholders by the Requisite Majorities at the Scheme Meeting.

For this reason the LifeHealthcare Directors unanimously recommend that you vote in favour of the Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider the Scheme to be in the best interests of LifeHealthcare Shareholders.

If you are unable to attend the Scheme Meeting, the LifeHealthcare Directors urge you to complete and return, in the enclosed reply paid envelope, the personalised proxy form that accompanies this Scheme Booklet or lodge your proxy form online at Computershare's website (www.investorvote.com.au) in accordance with the instructions given there.

LOCATION AND DETAILS OF SCHEME MEETING

The details of the Scheme Meeting are as follows:

- Location:** Offices of Computershare
Level 4, 60 Carrington Street, Sydney NSW 2000
- Date:** Thursday, 3 May 2018
- Time:** 10:00am (Sydney time)

SCHEME MEETING

A copy of the Notice of Scheme Meeting is set out in Attachment A to this Scheme Booklet.

Section 3.2(b) provides details of the Scheme Resolution and the voting majorities that are required for the Scheme Resolution.

VOTING IN PERSON, BY ATTORNEY OR CORPORATE REPRESENTATIVE

If you wish to vote in person, you must attend the Scheme Meeting.

If you cannot attend the Scheme Meeting, you may vote by proxy by completing the proxy form accompanying this Scheme Booklet.

Attorneys who plan to attend the Scheme Meeting should bring with them the original or a certified copy of the power of attorney under which they have been authorised to attend and vote at the Scheme Meeting.

A body corporate which is a LifeHealthcare Shareholder may appoint an individual to act as its corporate representative. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the Scheme Meeting evidence of his or her appointment, including any authority under which it is signed.

VOTING BY PROXY

If you wish to appoint a proxy to attend and vote at the Scheme Meeting on your behalf, please complete and sign the personalised proxy form accompanying this Scheme Booklet in accordance with the instructions set out on the proxy form or lodge your proxy form online at Computershare's website (www.investorvote.com.au) in accordance with the instructions given there. You may complete the proxy form in favour of the Chairperson of the Scheme Meeting or appoint up to two proxies to attend and vote on your behalf at the Scheme Meeting.

TO BE VALID, PROXY FORMS FOR THE SCHEME MEETING MUST BE RECEIVED BY THE REGISTRY BY NO LATER THAN 10:00AM (SYDNEY TIME) ON TUESDAY, 1 MAY 2018.

Proxy forms, duly completed in accordance with the instructions set out on the proxy form, may be returned to the Registry:

- by posting them in the reply paid envelope provided;
- by posting them to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne VIC 3001, Australia;
- by faxing them to Computershare Investor Services Pty Limited on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia); or
- submitting them online at www.investorvote.com.au. To use the online voting facility, LifeHealthcare Shareholders will need their Securityholder Reference Number (**SRN**) or Holder Identification Number (**HIN**) and Control Number as shown on the front of the proxy form.

Frequently asked questions

This Scheme Booklet contains detailed information regarding the Scheme. This Section provides summary answers to some questions you may have and will assist you to locate further detailed information in this Scheme Booklet. It is not intended to address all relevant issues for LifeHealthcare Shareholders. This Section should be read together with the other parts of this Scheme Booklet.

QUESTION	ANSWER
AN OVERVIEW OF THE SCHEME	
Why have I received this Scheme Booklet?	<p>This Scheme Booklet has been sent to you because you are a LifeHealthcare Shareholder and LifeHealthcare Shareholders are being asked to vote on a Scheme, which, if approved, will result in the Bidder (an entity owned by funds managed or advised by Pacific Equity Partners) acquiring all LifeHealthcare Shares.</p> <p>This Scheme Booklet is intended to help you to decide how to vote on the Scheme Resolution which needs to be passed at the Scheme Meeting to allow the Scheme to proceed.</p>
What is the Scheme?	<p>The Scheme is a scheme of arrangement between LifeHealthcare and LifeHealthcare Shareholders. A scheme of arrangement is a statutory procedure that is commonly used in transactions which may result in a change of ownership or control of a company.</p> <p>On 6 February 2018, LifeHealthcare announced the Scheme to ASX. If the Scheme is approved and implemented, Scheme Shareholders will receive \$3.675 (less the amount of any Special Dividend) for each LifeHealthcare Share they hold on the Scheme Record Date. Scheme Shareholders who are registered on the Register on the Special Dividend Record Date will also receive the Special Dividend (if declared).</p> <p>Please refer to Section 1 for a summary of the Scheme.</p>
Who is the Bidder and the Bidder Group?	<p>The Bidder is Pacific Health Supplies BidCo Pty Ltd, which is an entity owned by funds managed or advised by Pacific Equity Partners. Pacific Equity Partners was founded in 1998 and is a leading Australian based private equity advisory firm which focuses on buyouts and late stage expansion capital in Australia and New Zealand.</p> <p>Please refer to Section 5 for further information in relation to the Bidder and the Bidder Group.</p>
How will the Scheme be implemented?	<p>In order for the Scheme to be implemented, all conditions precedent under the Scheme Implementation Deed must be satisfied or waived (where applicable), including that the Scheme Resolution must be approved by LifeHealthcare Shareholders at the Scheme Meeting and the Scheme must be approved by the Court.</p> <p>Details of this Scheme Resolution and the voting majorities required to approve the Scheme Resolution are set out in Section 3.2(b).</p>
What do the LifeHealthcare Directors recommend?	<p>The LifeHealthcare Directors unanimously recommend that you vote in favour of the Scheme Resolution to approve the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider the Scheme to be in the best interests of LifeHealthcare Shareholders.</p> <p>The reasons for this recommendation, and other matters that you may wish to take into consideration, are set out in Section 2.</p>
How are the LifeHealthcare Directors intending to vote?	<p>Each of the LifeHealthcare Directors intends to vote, or cause to be voted, all LifeHealthcare Shares held or Controlled by them in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider the Scheme to be in the best interests of LifeHealthcare Shareholders.</p> <p>The Relevant Interests of LifeHealthcare Directors in LifeHealthcare Shares as at the date of this Scheme Booklet are set out in Section 8.1.</p>

QUESTION	ANSWER
<p>What is the Independent Expert's opinion of the Scheme?</p>	<p>The Independent Expert concluded that the Scheme is in the best interests of LifeHealthcare Shareholders in the absence of a Superior Proposal.</p> <p>The Independent Expert has estimated the full underlying value of LifeHealthcare to be in the range of \$3.54 and \$3.96 per LifeHealthcare Share.</p> <p>The Independent Expert's Report is included as Attachment E to this Scheme Booklet.</p> <p>The LifeHealthcare Directors recommend that you read the Independent Expert's Report carefully and in its entirety.</p>
<p>What if the Independent Expert changes its opinion?</p>	<p>If the Independent Expert changes its opinion, this will be announced to ASX and the LifeHealthcare Directors will carefully consider the Independent Expert's revised opinion and advise you of their recommendation.</p>
<p>Why you may consider voting in favour of the Scheme</p>	<p>Reasons why you may consider voting in favour of the Scheme include:</p> <ul style="list-style-type: none"> • the LifeHealthcare Board has unanimously recommended that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider the Scheme to be in the best interests of LifeHealthcare Shareholders; • the Independent Expert concluded that the Scheme is in the best interests of LifeHealthcare Shareholders, in the absence of a Superior Proposal; • the Total Cash Payment, plus the value of the Interim Dividend, represents an attractive premium to the trading levels of LifeHealthcare Shares on the ASX prior to the announcement of the Scheme on 6 February 2018; • you will receive certain value of \$3.675 per LifeHealthcare Share for your investment in LifeHealthcare; • as part of the Total Cash Payment to be received under the Scheme, LifeHealthcare Shareholders are expected to receive a fully franked Special Dividend of \$0.18 per LifeHealthcare Share. If the Special Dividend is declared, LifeHealthcare Shareholders who hold LifeHealthcare Shares on the Special Dividend Record Date may receive franking credits of \$0.08 per LifeHealthcare Share, subject to confirmation by the Commissioner of Taxation in a Class Ruling. The value of these franking credits will depend upon the tax profile of the recipient LifeHealthcare Shareholder. Section 7 contains high level comments on the expected taxation treatment of the Special Dividend; • no Superior Proposal has been received by the LifeHealthcare Board as at the date of this Scheme Booklet; • the Scheme allows you to sell all of your LifeHealthcare Shares; • if the Scheme does not proceed, and no comparable proposal or Superior Proposal is received by the LifeHealthcare Board, the LifeHealthcare Share price is expected to fall; • if the Scheme does not proceed, LifeHealthcare Shareholders will continue to be exposed to risks associated with LifeHealthcare's business rather than realising certain value for their LifeHealthcare Shares in a certain timeframe; and • no brokerage or stamp duty will be payable by you on the transfer of your LifeHealthcare Shares under the Scheme.

Frequently asked questions continued

QUESTION	ANSWER
<p>Why you may consider voting against the Scheme</p>	<p>Reasons why you may consider voting against the Scheme include:</p> <ul style="list-style-type: none"> • you may disagree with the LifeHealthcare Board’s recommendation and the opinion of the Independent Expert and consider that the Scheme is not in your best interests; • you may prefer to realise the potential value of LifeHealthcare over the long term, and may consider that the Scheme does not capture LifeHealthcare’s long term potential; • you may believe that it is in your best interests to maintain your current investment and risk profile; • the tax consequences of the Scheme may not suit your current financial position; and • you may believe that there is the potential for a Superior Proposal to be made in the foreseeable future. However, as at the date of this Scheme Booklet, no Superior Proposal has been received by the LifeHealthcare Board.
<p>What will happen if a Superior Proposal emerges?</p>	<p>If LifeHealthcare receives a proposal from a third party after the date of this Scheme Booklet, the following applies:</p> <ul style="list-style-type: none"> • if the proposal is a Notifiable Proposal (defined in Section 3.9(d)), LifeHealthcare must notify the Bidder in writing as soon as practicable and in any event within 2 Business Days of receipt of the Notifiable Proposal of the identity of the third party that made the Notifiable Proposal and, to the extent known by LifeHealthcare, the material terms of the Notifiable Proposal (including price, conditions precedent and proposed timing); • LifeHealthcare must not enter into a binding agreement to implement a Competing Proposal unless it is a Superior Proposal and LifeHealthcare has notified the above details to the Bidder; • the Bidder will be given 5 Business Days during which it can put forward a counter proposal; and • if the Bidder provides a counter proposal during the 5 Business Day period and the LifeHealthcare Board determines that the counter proposal will provide an outcome that is no less favourable, or more favourable, to LifeHealthcare Shareholders as a whole than the relevant Competing Proposal, then: <ul style="list-style-type: none"> – LifeHealthcare and the Bidder must use their best endeavours to agree, as soon as reasonably practicable, any amendments to the Scheme Implementation Deed as are reasonably necessary to reflect the Bidder’s counter proposal; and – LifeHealthcare must use its reasonable endeavours to ensure that the LifeHealthcare Board unanimously recommends the Bidder’s counter proposal to LifeHealthcare Shareholders and does not recommend the relevant Competing Proposal. <p>Details of these provisions (and other provisions) of the Scheme Implementation Deed are set out in Section 3.</p> <p>Since the announcement of the entry into the Scheme Implementation Deed on 6 February 2018 and up to the date of this Scheme Booklet, no Superior Proposal has been received by the LifeHealthcare Board.</p>

QUESTION	ANSWER
<p>Is there a break fee payable by LifeHealthcare?</p>	<p>Under the Scheme Implementation Deed, LifeHealthcare must pay to the Bidder a break fee of 1% of the aggregate Total Cash Payment, plus the value of the Interim Dividend, payable for all the LifeHealthcare Shares under the Scheme (which is approximately \$1.8 million) if certain events occur, including where:</p> <ul style="list-style-type: none"> • any LifeHealthcare Director fails to make, withdraws or adversely modifies his recommendation that LifeHealthcare Shareholders vote in favour of the Scheme at the Scheme Meeting or voting intention, or makes any public statement supporting or endorsing a Competing Proposal (except in the circumstances described in Sections 3.10(a)(i) and 3.10(a)(ii)); • a third party publicly announces a Competing Proposal on or before 27 July 2018 (or, if earlier, the valid termination of the Scheme Implementation Deed) and, within 9 months of the announcement, that third party (or an associate) acquires all or a substantial part of the business or assets of the LifeHealthcare Group, or acquires Control of or merges with LifeHealthcare (or any material LifeHealthcare Group Member); • the Bidder validly terminates the Scheme Implementation Deed because of a material breach by LifeHealthcare of the Scheme Implementation Deed; or • a Prescribed Occurrence occurs between the date of the Scheme Implementation Deed and the Delivery Time. <p>Details of these provisions (and other provisions) of the Scheme Implementation Deed are set out in Section 3.</p>
<p>What are the risks associated with an investment in LifeHealthcare if the Scheme does not become Effective?</p>	<p>If the Scheme does not proceed, and no comparable proposal or Superior Proposal is received by the LifeHealthcare Board, then the LifeHealthcare Share price is expected to fall.</p> <p>In addition, if the Scheme does not become Effective and no comparable proposal or Superior Proposal is received by the LifeHealthcare Board, LifeHealthcare Shareholders will continue to be subject to the specific risks associated with LifeHealthcare’s business and other general risks.</p> <p>Details of these risks are set out in Section 6.3.</p>
<p>What transaction costs would LifeHealthcare incur if the Scheme is not implemented?</p>	<p>LifeHealthcare estimates that, if the Scheme is not implemented, it will be required to pay one-off transaction costs of approximately \$1.7 million (excluding GST and any Break Fee that may be payable to the Bidder – see Section 3.10 for a summary of the circumstances in which a Break Fee would be payable by LifeHealthcare), which are primarily fees payable to LifeHealthcare’s advisers and the Independent Expert. The payment of these transaction costs would affect the cash balance of the LifeHealthcare Group.</p>

Frequently asked questions continued

QUESTION	ANSWER
AN OVERVIEW OF THE TOTAL CASH PAYMENT	
<p>What is the Total Cash Payment?</p>	<p>If the Scheme becomes Effective, LifeHealthcare Shareholders will receive a Total Cash Payment of \$3.675 for each LifeHealthcare Share, which is expected to comprise:</p> <ul style="list-style-type: none"> • a fully franked Special Dividend of \$0.18 per LifeHealthcare Share that they hold on the Special Dividend Record Date (payable by LifeHealthcare); and • the Scheme Consideration of \$3.495 for each LifeHealthcare Share they hold on the Scheme Record Date (payable by the Bidder). <p>The Special Dividend has not yet been declared by the LifeHealthcare Board and remains at the absolute discretion of the LifeHealthcare Board. If the LifeHealthcare Board does not declare the Special Dividend but the Scheme nevertheless proceeds, the Scheme Consideration will be \$3.675 per LifeHealthcare Share.</p> <p>Fractional entitlements to a cent under the Scheme Consideration will be rounded up or down to the nearest cent (rounded up if the fractional entitlement is equal to or greater than one half, and rounded down if the fractional entitlement is less than one half).</p>
<p>What is the premium of the Total Cash Payment, plus the value of the Interim Dividend, to LifeHealthcare's Share price?</p>	<p>The Total Cash Payment, plus the value of the Interim Dividend, of \$3.75 per LifeHealthcare Share represents:</p> <ul style="list-style-type: none"> • a 46% premium to the closing price of \$2.57 per LifeHealthcare Share on 2 February 2018 (being the last day on which LifeHealthcare Shares traded before LifeHealthcare announced that it and the Bidder had entered into the Scheme Implementation Deed); • a 44% premium to the 1-month VWAP to 2 February 2018; and • a 42% premium to the 3-month VWAP to 2 February 2018.
<p>What is the maximum Scheme Consideration payable by the Bidder if the Scheme becomes Effective?</p>	<p>Based on the number of LifeHealthcare Shares on issue as at the date of this Scheme Booklet, and assuming that all LifeHealthcare Options and LifeHealthcare Performance Rights will vest and convert into LifeHealthcare Shares on or before the Scheme Record Date (see Section 3.6), the maximum aggregate Scheme Consideration that will be payable by the Bidder is approximately \$175,494,557. The maximum aggregate Scheme Consideration payable by the Bidder will be reduced by the aggregate amount of the Special Dividend (if declared), which will be paid by LifeHealthcare.</p>
<p>How is the Bidder Group and/or the Bidder funding the Scheme Consideration?</p>	<p>The Bidder has in place binding debt and equity commitments sufficient to meet its obligations to pay the Scheme Consideration under the Scheme.</p> <p>For further information on the Bidder Group and the Bidder's funding arrangements see Section 5.</p>
<p>Who is entitled to participate in the Scheme?</p>	<p>Persons who hold LifeHealthcare Shares on the Scheme Record Date will participate in the Scheme and, if the Scheme is approved and implemented, those persons will receive the Scheme Consideration in respect of each LifeHealthcare Share held on the Scheme Record Date.</p>
<p>When will I receive the Total Cash Payment?</p>	<p>If all conditions precedent to the Scheme becoming Effective are satisfied or waived (as applicable):</p> <ul style="list-style-type: none"> • LifeHealthcare Shareholders on the Register on the Scheme Record Date will be sent the Scheme Consideration on the Implementation Date; and • if the Special Dividend is declared by the LifeHealthcare Board, LifeHealthcare Shareholders on the Register on the Special Dividend Record Date are expected to be sent the Special Dividend on the Implementation Date.

QUESTION	ANSWER
What are the tax implications of the Scheme for you?	<p>The tax implications for Scheme Shareholders if the Scheme is approved and implemented will depend on the specific taxation circumstances of each Scheme Shareholder.</p> <p>General information about the likely Australian tax consequences of the Scheme is set out in Section 7. You should not rely on those descriptions as advice for your own affairs.</p> <p>For information about your individual financial or taxation circumstances please consult your financial, legal, taxation or other professional adviser.</p>
Will I have to pay brokerage or stamp duty?	No, you will not have to pay brokerage or stamp duty if your LifeHealthcare Shares are acquired under the Scheme.
Can I sell my LifeHealthcare Shares now?	<p>You can sell your LifeHealthcare Shares on-market at any time before the close of trading on the ASX on the Effective Date. However, if you do so you will receive the prevailing on-market price set at the time of sale which may not be the same price as the Total Cash Payment, you will not be paid the Special Dividend, and you may also be required to pay brokerage.</p> <p>LifeHealthcare intends to apply to ASX for LifeHealthcare Shares to be suspended from official quotation on the ASX from close of trading on the Effective Date. You will not be able to sell your LifeHealthcare Shares on-market after that time.</p>
THE INTERIM DIVIDEND AND THE SPECIAL DIVIDEND	
Am I eligible to receive the Interim Dividend?	<p>On 20 February 2018, the LifeHealthcare Board declared a fully franked Interim Dividend of \$0.075 per LifeHealthcare Share in respect of the financial half year ended 31 December 2017.</p> <p>If you were a LifeHealthcare Shareholder on the Interim Dividend Record Date, you were eligible to receive the fully franked Interim Dividend of \$0.075 in respect of each LifeHealthcare Share that you held on that date.</p>
What is the Special Dividend?	<p>The LifeHealthcare Board has announced an intention to pay a fully franked Special Dividend of \$0.18 per LifeHealthcare Share if the Scheme becomes Effective.</p> <p>The Special Dividend has not yet been declared by the LifeHealthcare Board and remains at the absolute discretion of the LifeHealthcare Board.</p> <p>If the Special Dividend is declared by the LifeHealthcare Board, it will form part of the Total Cash Payment to be received by LifeHealthcare Shareholders if the Scheme becomes Effective. If the Special Dividend is not declared by the LifeHealthcare Board but the Scheme nevertheless becomes Effective, the Scheme Consideration will be \$3.675 per LifeHealthcare Share.</p>
Am I eligible to receive the Special Dividend?	If the Special Dividend is declared, the Scheme becomes Effective, and you hold LifeHealthcare Shares on the Special Dividend Record Date, you will be eligible to receive the Special Dividend in respect of each LifeHealthcare Share that you hold on that date.
When will I receive the Special Dividend?	<p>If the Scheme becomes Effective and the Special Dividend is declared, the Special Dividend is expected to be paid to LifeHealthcare Shareholders on the Implementation Date.</p> <p>The Special Dividend (if declared) will be conditional on the Scheme becoming Effective. If the Scheme does not become Effective, the Special Dividend will not be paid to LifeHealthcare Shareholders.</p>
Will I receive any further dividends from LifeHealthcare?	Under the Scheme Implementation Deed, LifeHealthcare is permitted to pay a fully franked special dividend of up to \$0.18 per LifeHealthcare Share. No further dividends will be paid by LifeHealthcare.

Frequently asked questions continued

QUESTION	ANSWER
Will the Special Dividend be franked?	LifeHealthcare intends that the Special Dividend (if declared) will be fully franked.
Will I get the benefit of franking credits attached to the Special Dividend?	<p>If the Special Dividend is declared, LifeHealthcare Shareholders who hold LifeHealthcare Shares on the Special Dividend Record Date may receive franking credits of \$0.08 per LifeHealthcare Share, subject to confirmation by the Commissioner of Taxation in a Class Ruling. The value of these franking credits will depend upon the tax profile of the recipient LifeHealthcare Shareholder. If you are an Australian resident for tax purposes and satisfy the qualified person rules, you may be able to access franking credits attached to the Special Dividend. If you are not an Australian resident for tax purposes, you should not be able to access franking credits attached to the Special Dividend, but the Special Dividend should ordinarily not be subject to Australian tax.</p> <p>Further information is provided at Section 7. The comments in Section 7 are general in nature and should not be relied upon as advice for your affairs. It is recommended that you consult your financial, legal, taxation or other professional adviser with respect to the potential tax consequences of receiving the Special Dividend.</p>
SCHEME, VOTING AND APPROVALS	
Are there any conditions that must be satisfied or waived in order for the Scheme to be implemented?	<p>Yes there are. The conditions which remain outstanding as at the date of this Scheme Booklet are:</p> <ul style="list-style-type: none"> • Court approval of the Scheme; • the Scheme Resolution being passed by the Requisite Majorities (see Section 3.2(b) for further details) at the Scheme Meeting; • no other orders or restraints being issued by any court or any Government Agency preventing the implementation of the Scheme are in place; • none of the LifeHealthcare Directors changing, qualifying or withdrawing their recommendation of the Scheme or intention to vote, or cause to be voted, all the LifeHealthcare Shares held or Controlled by them in favour of the Scheme at the Scheme Meeting; • no Material Adverse Change or Prescribed Occurrence occurs; • no material breach of the Scheme Warranties given by LifeHealthcare in the Scheme Implementation Deed occurs; and • no material breach of the Bidder's representations and warranties (including as to the Bidder's funding arrangements) occurs. <p>The conditions of the Scheme are summarised in further detail in Section 1.2.</p> <p>LifeHealthcare Shareholders should also be aware that the Scheme Implementation Deed may be terminated in certain circumstances (details of which are summarised in Section 3.8). If the Scheme Implementation Deed is terminated, the Scheme will not proceed.</p> <p>As at the date of this Scheme Booklet, the LifeHealthcare Directors are not aware of any reason why these conditions should not be satisfied.</p>

QUESTION	ANSWER
<p>What happens if these conditions are not satisfied or the Scheme Implementation Deed is terminated?</p>	<p>If the conditions precedent to the Scheme becoming Effective are not satisfied or waived (as applicable) or the Scheme Implementation Deed is terminated, then the Scheme will not be implemented and, as set out in Section 6.1:</p> <ul style="list-style-type: none"> • you will retain your LifeHealthcare Shares and they will not be acquired by the Bidder; • you will not receive the Scheme Consideration or the Special Dividend; • LifeHealthcare will continue to operate as a stand-alone company listed on the ASX; and • if the Scheme does not proceed, and no comparable proposal or Superior Proposal is received by the LifeHealthcare Board, then the LifeHealthcare Share price is expected to fall.
<p>What happens if the Scheme is approved, all conditions are satisfied and it is implemented?</p>	<p>If the Scheme becomes Effective and you remain a LifeHealthcare Shareholder as at the Scheme Record Date, all of your LifeHealthcare Shares will be transferred to the Bidder under the Scheme.</p> <p>If the Special Dividend is declared and the Scheme becomes Effective:</p> <ul style="list-style-type: none"> • LifeHealthcare Shareholders will receive a fully franked Special Dividend of \$0.18 cash per LifeHealthcare Share that they hold on the Special Dividend Record Date (payable by LifeHealthcare); and • the Scheme Consideration to be paid by the Bidder to Scheme Shareholders under the terms of the Scheme will be \$3.495 per LifeHealthcare Share (being \$3.675, less the Special Dividend of \$0.18). <p>If the Special Dividend is not declared and the Scheme becomes Effective, the Scheme Consideration to be paid by the Bidder under the terms of the Scheme will be \$3.675 per LifeHealthcare Share.</p>
<p>Can the Scheme be terminated?</p>	<p>The Scheme Implementation Deed may be terminated in certain circumstances, details of which are summarised in Section 3.8. If the Scheme Implementation Deed is terminated, the Scheme will not proceed.</p>
<p>Am I entitled to vote at the Scheme Meeting?</p>	<p>If you are registered as a LifeHealthcare Shareholder on the Register at 7:00pm (Sydney time) on Tuesday, 1 May 2018, then you will be entitled to attend and vote at the Scheme Meeting.</p> <p>Details of the Scheme Meeting and voting are on page 10.</p>
<p>How do I vote?</p>	<p>Voting at the Scheme Meeting may be in person, by attorney, by proxy or, in the case of a corporation, by corporate representative. If you wish to vote in person, you must attend the Scheme Meeting.</p> <p>If you cannot attend the Scheme Meeting, you may complete and return the enclosed personalised proxy form in accordance with the instructions or lodge your proxy form online at www.investorvote.com.au in accordance with the instructions given there. The deadline for lodging your proxy form for the Scheme Meeting is 10:00am (Sydney time) on Tuesday, 1 May 2018.</p> <p>Details of the Scheme Meeting and how to vote are on page 10.</p>
<p>When and where will the Scheme Meeting be held?</p>	<p>The Scheme Meeting will be held at 10:00am (Sydney time) on Thursday, 3 May 2018 at the offices of Computershare, at Level 4, 60 Carrington Street, Sydney NSW 2000.</p>
<p>Is voting compulsory?</p>	<p>Voting is not compulsory. However, the Scheme will only be successful if it is approved by the Requisite Majorities of LifeHealthcare Shareholders so voting is important and LifeHealthcare Directors encourage you to vote. If the Scheme is approved, you will be bound by the Scheme whether or not you voted and whether or not you voted in favour of it.</p>

Frequently asked questions continued

QUESTION	ANSWER
What voting majority is required to approve the Scheme?	<p>For the Scheme to proceed, the Scheme Resolution must be passed by the following Requisite Majorities:</p> <ul style="list-style-type: none"> a majority in number (more than 50%) of LifeHealthcare Shareholders who vote on the Scheme Resolution (noting that the Court may waive this requirement); and at least 75% of the votes cast on the Scheme Resolution by LifeHealthcare Shareholders.
What happens if I do not vote, or if I vote against the Scheme?	<p>If you do not vote, or vote against the Scheme, the Scheme may not be approved at the Scheme Meeting by the Requisite Majorities of LifeHealthcare Shareholders. If this occurs then the Scheme will not proceed, you will not receive the Scheme Consideration or the Special Dividend and you will remain a LifeHealthcare Shareholder. For more information on what happens if the Scheme is not implemented, please see Section 6.</p> <p>However, if the Scheme is approved by the Requisite Majorities at the Scheme Meeting and the Scheme is implemented, your LifeHealthcare Shares will be transferred to the Bidder under the Scheme and you will receive the Scheme Consideration for each LifeHealthcare Share you hold on the Scheme Record Date, and, if declared, the Special Dividend for each LifeHealthcare Share you hold on the Special Dividend Record Date, whether or not you voted in favour of the Scheme.</p>
Can I keep my LifeHealthcare Shares?	<p>If the Scheme is implemented, your LifeHealthcare Shares will be transferred to the Bidder. This is so even if you did not vote at all or you voted against the Scheme Resolution at the Scheme Meeting.</p>
When will the results of the Scheme Meeting be available?	<p>The results of the Scheme Meeting will be available shortly after the conclusion of the Scheme Meeting and will be announced to ASX once available.</p> <p>Even if the Scheme Resolution is passed at the Scheme Meeting by the Requisite Majorities, the Scheme will only proceed if Court approval of the Scheme is obtained and all of the other conditions precedent are satisfied or waived. The conditions of the Scheme are summarised in Section 1.2.</p>
What do I do if I oppose the Scheme?	<p>If you, as a LifeHealthcare Shareholder, oppose the Scheme, you should:</p> <ul style="list-style-type: none"> call the Shareholder Information Line on 1300 171 780 (within Australia) or + 61 3 9415 4370 (outside Australia) Monday to Friday between 9:00am and 5:00pm (Sydney time) and obtain further information; attend the Scheme Meeting either in person or by proxy and vote against the Scheme Resolution; and/or if LifeHealthcare Shareholders pass the Scheme Resolution at the Scheme Meeting and you wish to appear and be heard at the Second Court Hearing and oppose the approval of the Scheme at the Second Court Hearing, you must lodge a notice of intention to appear at the Second Court Hearing, attend the Second Court Hearing and indicate opposition to the Scheme. Please see the “Important notices” section of this Scheme Booklet for further details under the heading “Notice regarding Second Court Hearing and if a LifeHealthcare Shareholder wishes to oppose the Scheme” on page 2.
FURTHER INFORMATION	
What if I want further information?	<p>If you have any questions about the Scheme or you would like additional copies of this Scheme Booklet, please contact the Shareholder Information Line on 1300 171 780 (within Australia) or +61 3 9415 4370 (outside Australia) Monday to Friday between 9:00am and 5:00pm (Sydney time).</p> <p>For information about your individual financial or taxation circumstances please consult your financial, legal, taxation or other professional adviser.</p>

Summary of the Scheme

1

1. Summary of the Scheme continued

1.1 SCHEME

On 6 February 2018, LifeHealthcare announced that it had entered into the Scheme Implementation Deed with the Bidder, Pacific Health Supplies BidCo Pty Ltd, under which it is proposed that the Bidder, an entity owned by funds managed or advised by Pacific Equity Partners, will acquire all the LifeHealthcare Shares on issue by way of the Scheme.

If the Scheme is approved by LifeHealthcare Shareholders at the Scheme Meeting and by the Court, and if all other necessary approvals and conditions for the Scheme are satisfied or waived (as applicable), LifeHealthcare will become a wholly-owned subsidiary of the Bidder and will be delisted from the ASX.

If the Scheme is not approved, the Scheme will not proceed and LifeHealthcare will continue as a stand-alone entity listed on the ASX.

This Scheme Booklet contains information that the LifeHealthcare Board considers is material to LifeHealthcare Shareholders in making a decision whether or not to vote in favour of the Scheme. You should carefully read this Scheme Booklet as part of your consideration of the Scheme.

1.2 CONDITIONS PRECEDENT

The Scheme is subject to a number of conditions precedent. The following conditions precedent are outstanding as at the date of this Scheme Booklet:

- (a) **(Court approval)** The Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act.
- (b) **(Shareholder approval)** LifeHealthcare Shareholders approve the Scheme at the Scheme Meeting by the Requisite Majorities.
- (c) **(No Restraints)** Before and as at the Delivery Time:
 - (i) there is not in effect any temporary restraining order, preliminary or permanent injunction or other preliminary or final decision, order or decree issued by any court of competent jurisdiction or by any Government Agency, nor is there in effect any other legal restraint or prohibition; and
 - (ii) no action or investigation is announced or commenced by any Government Agency, which restrains, prohibits, impedes or otherwise materially adversely impacts upon (or could reasonably be expected to restrain, prohibit or otherwise materially adversely impede or impact upon) the completion of the Scheme.
- (d) **(No Prescribed Occurrence)** No Prescribed Occurrence occurs between the date of the Scheme Implementation Deed and the Delivery Time.
- (e) **(No Material Adverse Change)** No Material Adverse Change occurs between the date of the Scheme Implementation Deed and the Delivery Time.
- (f) **(No change of LifeHealthcare Board recommendation)** Between and including the date of the Scheme Implementation Deed and the date of the Scheme Meeting, none of the LifeHealthcare Directors change, qualify or withdraw their recommendation of the Scheme or intention to vote, or cause to be voted, all the LifeHealthcare Shares held or Controlled by them in favour of the Scheme at the Scheme Meeting.
- (g) **(LifeHealthcare representations and warranties)** There has been no material breach of the Scheme Warranties given by LifeHealthcare in the Scheme Implementation Deed.
- (h) **(the Bidder representations and warranties)** There has been no material breach of the representations and warranties given by the Bidder in the Scheme Implementation Deed.

The condition set out in paragraph (a) above cannot be waived.

The conditions of the Scheme are set out in clause 3 of the Scheme Implementation Deed which is Attachment B to this Scheme Booklet.

1.3 IMPLEMENTATION OF THE SCHEME

The Scheme is proposed to be undertaken pursuant to a Court approved scheme of arrangement. A scheme of arrangement is a legal arrangement that shareholders vote on and, if the Requisite Majorities of shareholders vote in favour of it and it is approved by the Court, it binds the company and all of its shareholders upon the Court orders approving the scheme of arrangement being lodged with ASIC. Approval of a scheme of arrangement requires a 50% majority of the number of shareholders voting (unless the Court orders otherwise) and a 75% majority of the total votes cast being in favour of the scheme, as well as approval by the Court.

The Scheme will become binding on LifeHealthcare and LifeHealthcare Shareholders only if the conditions to the Scheme are satisfied or waived (as applicable).

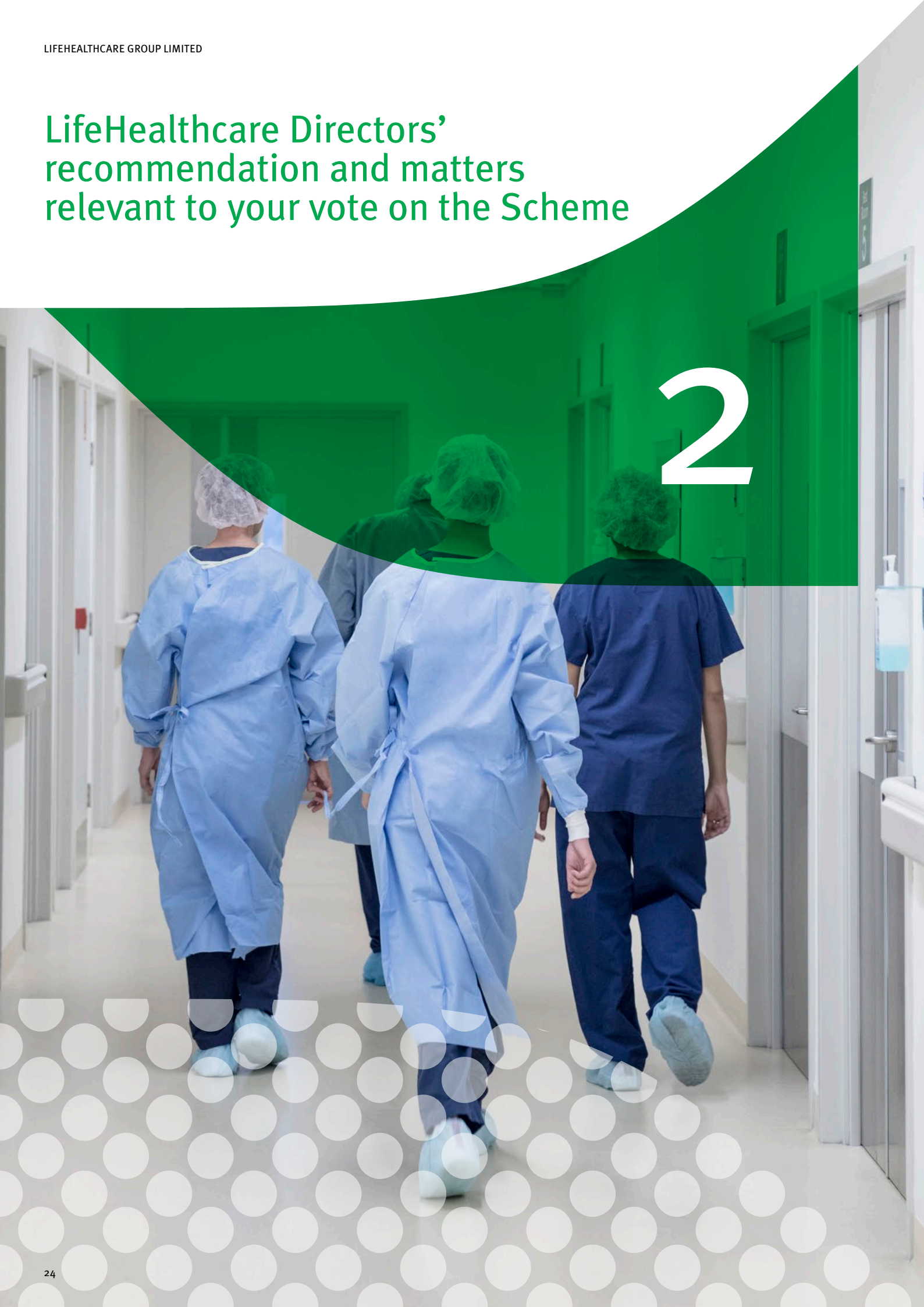
1.4 IF THE SCHEME BECOMES EFFECTIVE

If the Scheme becomes Effective and you remain a LifeHealthcare Shareholder as at the Scheme Record Date, each of your LifeHealthcare Shares will be acquired by the Bidder on the Implementation Date, even if you did not vote at all or you voted against the Scheme Resolution at the Scheme Meeting.

Based on the number of LifeHealthcare Shares on issue as at the date of this Scheme Booklet, and assuming that all LifeHealthcare Options and LifeHealthcare Performance Rights will vest and convert into LifeHealthcare Shares on or before the Scheme Record Date (see Section 3.6), the maximum aggregate Scheme Consideration that will be payable by the Bidder is approximately \$175,494,557. The maximum aggregate Scheme Consideration payable by the Bidder will be reduced by the aggregate amount of the Special Dividend (if declared), which will be paid by LifeHealthcare.

LifeHealthcare Directors’ recommendation and matters relevant to your vote on the Scheme

2



2.1 RECOMMENDATION

The LifeHealthcare Directors unanimously recommend that LifeHealthcare Shareholders vote in favour of the Scheme Resolution at the Scheme Meeting, in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider the Scheme to be in the best interests of LifeHealthcare Shareholders. Subject to the same qualifications, each LifeHealthcare Director intends to vote, or cause to be voted, all the LifeHealthcare Shares held or Controlled by them in favour of the Scheme at the Scheme Meeting. The Relevant Interests of LifeHealthcare Directors in LifeHealthcare Shares as at the date of this Scheme Booklet are set out in Section 8.1.

2.2 REASONS FOR RECOMMENDATION AND ADVANTAGES OF THE SCHEME

The factors which the LifeHealthcare Directors have taken into account in recommending the Scheme to LifeHealthcare Shareholders include:

(a) The LifeHealthcare Board has unanimously recommended that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider the Scheme to be in the best interests of LifeHealthcare Shareholders

In reaching its conclusion that the Scheme is in the best interests of LifeHealthcare Shareholders, the LifeHealthcare Board has assessed the Scheme having regard to the reasons to vote in favour of, or against, the Scheme, as set out in this Scheme Booklet.

The LifeHealthcare Directors consider that the Total Cash Payment recognises the value and future growth potential of LifeHealthcare.

The LifeHealthcare Directors unanimously recommend that LifeHealthcare Shareholders vote in favour of the Scheme Resolution in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider the Scheme to be in the best interests of LifeHealthcare Shareholders. Subject to the same qualifications, each LifeHealthcare Director intends to vote, or cause to be voted, all LifeHealthcare Shares held or Controlled by them in favour of the Scheme. The Relevant Interests of LifeHealthcare Directors in LifeHealthcare Shares as at the date of this Scheme Booklet are set out in Section 8.1.

(b) The Independent Expert concluded that the Scheme is in the best interests of LifeHealthcare Shareholders in the absence of a Superior Proposal

The LifeHealthcare Board appointed the Independent Expert, KPMG Corporate Finance, to prepare the Independent Expert's Report, including an opinion as to whether the Scheme is in the best interests of LifeHealthcare Shareholders. The Independent Expert concluded that the Scheme is in the best interests of LifeHealthcare Shareholders in the absence of a Superior Proposal. The Independent Expert, in arriving at this opinion, assessed whether the Scheme was fair and reasonable to LifeHealthcare Shareholders.

The basis for this conclusion is that the Total Cash Payment of \$3.675 per LifeHealthcare Share is within the valuation range (as concluded by the Independent Expert) of \$3.54 to \$3.96 per LifeHealthcare Share.

A complete copy of the Independent Expert's Report is included in Attachment E to this Scheme Booklet and your Directors encourage you to read this report in its entirety.

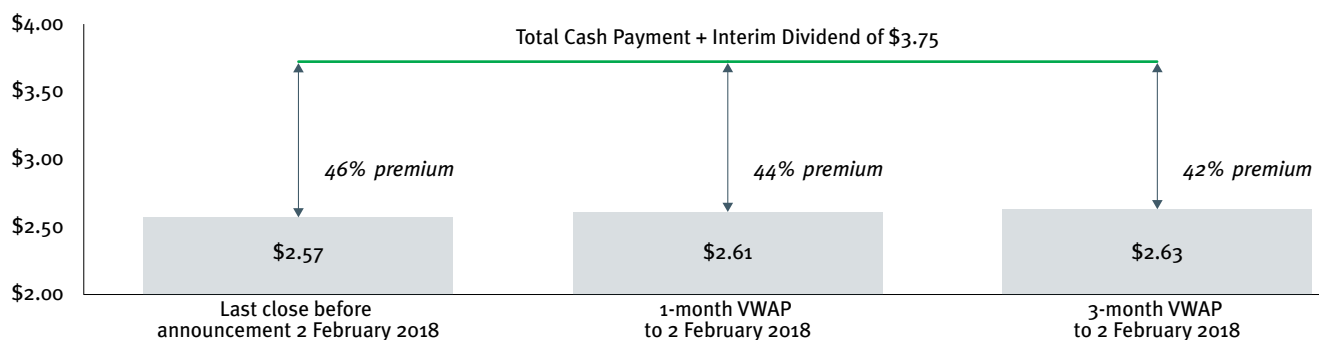
(c) The Total Cash Payment, plus the value of the Interim Dividend, represents an attractive premium to the trading levels of LifeHealthcare Shares on the ASX prior to the announcement of the proposed transaction on 6 February 2018

The Total Cash Payment, plus the value of the Interim Dividend, of \$3.75 per LifeHealthcare Share represents:

- a 46% premium to the LifeHealthcare closing price of \$2.57 per share on 2 February 2018 (being the last day on which LifeHealthcare Shares traded before LifeHealthcare announced that it and the Bidder had entered into the Scheme Implementation Deed);
- a 44% premium to the 1-month VWAP to 2 February 2018; and
- a 42% premium to the 3-month VWAP to 2 February 2018.

2. LifeHealthcare Directors' recommendation and matters relevant to your vote on the Scheme continued

The graph below illustrates the premium implied by the Total Cash Payment, plus the value of the Interim Dividend, per LifeHealthcare Share to the range of benchmarks listed above.



Source: Factset

(d) You will receive certain value of \$3.675 per LifeHealthcare Share for your investment in LifeHealthcare

The Total Cash Payment of \$3.675 per LifeHealthcare Share, excluding the potential benefit of franking credits associated with the Special Dividend (if declared), provides you with certainty of value for your LifeHealthcare Shares (subject to the Scheme becoming Effective).

Under the terms of the Scheme, subject to the Scheme becoming Effective, if the Special Dividend is declared, LifeHealthcare Shareholders will receive \$3.495 cash per LifeHealthcare Share held on the Scheme Record Date plus a Special Dividend of \$0.18 cash per LifeHealthcare Share held on the Special Dividend Record Date, excluding the potential benefit of franking credits associated with the Special Dividend.

If the Special Dividend is not declared by the LifeHealthcare Board but the Scheme becomes Effective, the Scheme Consideration received by LifeHealthcare Shareholders will be \$3.675 per LifeHealthcare Share.

The certainty of the Total Cash Payment should be compared with the risks and the uncertainties of remaining a LifeHealthcare Shareholder if the Scheme is not implemented, which include, but are not limited to, the risks set out in Section 6.3.

(e) As part of the Total Cash Payment to be received under the Scheme, LifeHealthcare Shareholders are expected to receive a fully franked Special Dividend of \$0.18 per LifeHealthcare Share. If the Special Dividend is declared, LifeHealthcare Shareholders who hold LifeHealthcare Shares on the Special Dividend Record Date may receive franking credits of \$0.08 per LifeHealthcare Share, subject to confirmation by the Commissioner of Taxation in a Class Ruling. The value of these franking credits will depend upon the tax profile of the recipient LifeHealthcare Shareholder

If the Special Dividend is declared and the Scheme becomes Effective, as part of the Total Cash Payment to be received under the Scheme, LifeHealthcare Shareholders will receive a fully franked Special Dividend of \$0.18 per LifeHealthcare Share they hold on the Special Dividend Record Date. LifeHealthcare Shareholders who hold LifeHealthcare Shares on the Special Dividend Record Date may receive franking credits of \$0.08 per LifeHealthcare Share, subject to confirmation by the Commissioner of Taxation in a Class Ruling. The value of these franking credits will depend upon the tax profile of the recipient LifeHealthcare Shareholder. If declared, the Special Dividend is currently expected to be paid on the Implementation Date.

However, the benefit of franking credits will not be the same for all LifeHealthcare Shareholders, and whether a LifeHealthcare Shareholder is able to capture the full benefit of franking credits will depend on their individual circumstances.

Section 7 sets out a general summary regarding taxation implications of the Scheme for LifeHealthcare Shareholders. You should consult your own taxation adviser to determine the tax consequences relevant to your circumstances.

(f) No Superior Proposal has been received by the LifeHealthcare Board as at the date of this Scheme Booklet

Since the announcement of the entry into of the Scheme Implementation Deed on 6 February 2018 and up to the date of this Scheme Booklet, no Superior Proposal has been received by the LifeHealthcare Board.

The LifeHealthcare Board is not aware, as at the date of this Scheme Booklet, of any Superior Proposal that is likely to emerge.

(g) The Scheme allows you to sell all of your LifeHealthcare Shares

The Scheme provides you with an opportunity to dispose of all your LifeHealthcare Shares in a single transaction for certain cash value.

(h) If the Scheme does not proceed, and no comparable proposal or Superior Proposal is received by the LifeHealthcare Board, the LifeHealthcare Share price is expected to fall

If the Scheme does not proceed, and no comparable proposal or Superior Proposal is received by the LifeHealthcare Board, then the LifeHealthcare Share price is expected to fall.

Since market close on 2 February 2018 (being the last day on which LifeHealthcare Shares traded before LifeHealthcare announced that it and the Bidder had entered into the Scheme Implementation Deed), LifeHealthcare's Share price has increased 40.1% up to \$3.60 on the Last Practicable Trading Date.

The LifeHealthcare Directors are unable to predict the price at which LifeHealthcare will trade in the future, but consider that, in the absence of implementation of the Scheme, and in the absence of a comparable proposal or Superior Proposal, the price of LifeHealthcare Shares is expected to fall.

This view is also supported by the Independent Expert, which states in the Independent Expert's Report:

"The current LifeHealthcare Share price reflects the terms of the [Scheme] and therefore, includes a control premium, and since 5 March 2018, it is trading on an 'ex dividend' basis (i.e. excluding the impact of the Interim Dividend). As such, in the absence of the Scheme, an alternative proposal or speculation concerning an alternative proposal, the LifeHealthcare Share price is likely to fall from current levels to levels consistent with trading prices prior to the announcement of the [Scheme], with allowance for the payment of the Interim Dividend, any company specific initiatives or financial achievements in the subsequent period which the market may assess as value enhancing, the impact of trends in broader equity markets."

(i) If the Scheme does not proceed, LifeHealthcare Shareholders will continue to be exposed to risks associated with LifeHealthcare's business rather than realising certain value for their LifeHealthcare Shares in a certain timeframe

If the Scheme does not proceed, the amount which LifeHealthcare Shareholders will be able to realise in terms of price and future dividends will necessarily be uncertain and subject to a number of risks outlined in Sections 6.3, 6.4 and 6.5.

Among other things, this will be subject to the performance of LifeHealthcare's business from time to time (in particular, the uncertainties associated with LifeHealthcare's outlook as described in Section 6.2), general economic conditions and the movements in the share market.

The Scheme removes these risks and uncertainties for LifeHealthcare Shareholders and allows LifeHealthcare Shareholders to exit their investment in LifeHealthcare at a price that the LifeHealthcare Directors consider attractive. If the Scheme is approved and implemented, these risks and uncertainties will be assumed by the Bidder, as the sole shareholder of LifeHealthcare following implementation of the Scheme.

(j) No brokerage or stamp duty will be payable by you on the transfer of your LifeHealthcare Shares under the Scheme

You will not incur any brokerage or stamp duty on the transfer of your LifeHealthcare Shares to the Bidder under the Scheme.

If you sell your LifeHealthcare Shares on the ASX (rather than disposing of them as part of the Scheme), you may incur brokerage charges (and, potentially GST on those charges).

2. LifeHealthcare Directors' recommendation and matters relevant to your vote on the Scheme continued

2.3 REASONS WHY LIFEHEALTHCARE SHAREHOLDERS MAY CONSIDER VOTING AGAINST THE SCHEME AND DISADVANTAGES OF THE SCHEME

Although the LifeHealthcare Directors unanimously recommend that you vote in favour of the Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider the Scheme to be in the best interests of LifeHealthcare Shareholders, factors which may lead LifeHealthcare Shareholders to vote against the Scheme include:

(a) You may disagree with the LifeHealthcare Board's recommendation and the opinion of the Independent Expert and consider that the Scheme is not in your best interests

Despite the recommendation of the LifeHealthcare Board and the opinion of the Independent Expert that the Scheme is in the best interests of LifeHealthcare Shareholders, in the absence of a Superior Proposal, you may believe that the Scheme is not in your best interests or that of other LifeHealthcare Shareholders.

(b) You may prefer to realise the potential value of LifeHealthcare over the long term, and may consider that the Scheme does not capture LifeHealthcare's long term potential

If the Scheme is approved and implemented, it is expected to complete in May 2018. This time frame may not be consistent with your investment objectives and you may consider that your LifeHealthcare Shares have greater value in the longer term.

You may consider that LifeHealthcare has stronger long term growth potential and that the Total Cash Payment does not fully reflect your view on long term value. You may therefore prefer to retain your listed LifeHealthcare Shares and realise the value of your LifeHealthcare Shares over the longer term.

(c) You may believe it is in your best interests to maintain your current investment and risk profile

You may wish to keep your LifeHealthcare Shares as you may want to preserve your investment in a publicly listed company with the specific characteristics of LifeHealthcare. In particular, you may consider that, despite the risks relevant to LifeHealthcare's potential future operations (including those set out in Sections 6.3, 6.4 and 6.5), LifeHealthcare may be able to return greater value from its assets by remaining independent, or seeking alternative commercialisation strategies.

(d) The tax consequences of the Scheme may not suit your current financial position

Implementation of the Scheme may trigger taxation consequences for LifeHealthcare Shareholders. A general guide to the taxation implications of the Scheme is set out in Section 7. This guide is expressed in general terms only and LifeHealthcare Shareholders should seek professional taxation advice regarding the tax consequences applicable to their own circumstances.

(e) You may believe that there is potential for a Superior Proposal to be made in the foreseeable future

You may believe that there is a potential for a Superior Proposal to be made in the foreseeable future. Since the execution of the Scheme Implementation Deed and as at the date of this Scheme Booklet, no Superior Proposal has been received by the LifeHealthcare Board.

Implementation of the Scheme

3

LifeHealthcare

3. Implementation of the Scheme continued

3.1 SCHEME CONSIDERATION

The terms of the proposed Scheme provide that LifeHealthcare Shareholders will receive from the Bidder \$3.75 cash per LifeHealthcare Share, less the amount of the Interim Dividend and the Special Dividend (if declared).

On 20 February 2018, the LifeHealthcare Board declared a fully franked Interim Dividend with the release of LifeHealthcare's first half FY2018 results. LifeHealthcare Shareholders were entitled to receive the Interim Dividend for each LifeHealthcare Share they held on the Interim Dividend Record Date. The Interim Dividend was paid on Wednesday, 21 March 2018, which reduced the Scheme Consideration payable at the date of this Scheme Booklet to \$3.675 per LifeHealthcare Share (being \$3.75, less the Interim Dividend of \$0.075).

The LifeHealthcare Board has announced an intention to declare a fully franked Special Dividend of \$0.18 per LifeHealthcare Share, subject to the Scheme becoming Effective. If that Special Dividend is declared and the Scheme becomes Effective, it is expected that it will be paid on the Implementation Date. Whether or not the Special Dividend is declared is a matter for the discretion of the LifeHealthcare Board. The declaration of the Special Dividend is not a condition of the Scheme.

If the Special Dividend is declared and the Scheme becomes Effective:

- LifeHealthcare Shareholders will receive a fully franked Special Dividend of \$0.18 cash per LifeHealthcare Share that they hold on the Special Dividend Record Date (payable by LifeHealthcare); and
- the Scheme Consideration to be paid by the Bidder to Scheme Shareholders under the terms of the Scheme will be \$3.495 per LifeHealthcare Share (being \$3.675, less the Special Dividend of \$0.18).

If the Special Dividend is not declared and the Scheme becomes Effective, the Scheme Consideration to be paid by the Bidder under the terms of the Scheme will be \$3.675 per LifeHealthcare Share.

A summary of how the Bidder will be funding the Scheme Consideration is set out in Section 5.4.

3.2 STEPS FOR IMPLEMENTING THE SCHEME

(a) Preliminary steps

LifeHealthcare and the Bidder entered into the Scheme Implementation Deed on 5 February 2018, pursuant to which, among other things, LifeHealthcare agreed to propose the Scheme.

The Bidder has executed the Deed Poll, pursuant to which the Bidder, subject to the Scheme becoming Effective, agrees to provide the Scheme Consideration to which each Scheme Shareholder is entitled under the terms of the Scheme.

A copy of the proposed Scheme is set out in Attachment B to this Scheme Booklet.

A copy of the Deed Poll is set out in Attachment D to this Scheme Booklet.

(b) Scheme Meeting

The Court has ordered that the Scheme Meeting be held at 10:00am (Sydney time) on Thursday, 3 May 2018 at the offices of the Registry, Computershare, at Level 4, 60 Carrington Street, Sydney NSW 2000 for the purposes of approving the Scheme Resolution. The Notice of Scheme Meeting for LifeHealthcare Shareholders which sets out the Scheme Resolution is included in Attachment A to this Scheme Booklet.

Each LifeHealthcare Shareholder who is registered on the Register at 7:00pm (Sydney time) on Tuesday, 1 May 2018 is entitled to attend and vote at the Scheme Meeting, either in person or by proxy or attorney or in the case of a body corporate, by its corporate representative appointed in accordance with section 250D of the Corporations Act.

Instructions on how to attend and vote at the Scheme Meeting in person, or to appoint a proxy to attend and vote on your behalf, are set out on page 10 of this Scheme Booklet.

The Scheme Resolution must be approved by the Requisite Majorities, being:

- (i) a majority in number (more than 50%) of LifeHealthcare Shareholders present and voting at the Scheme Meeting (whether in person, by proxy, by attorney or, in the case of corporate LifeHealthcare Shareholders, by a corporate representative) (the **Headcount Test**); and
- (ii) at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting.

It should be noted that the Court has the power to waive the Headcount Test.

(c) Second Court Hearing

In the event that:

- (i) the Scheme Resolution is approved by the Requisite Majorities of LifeHealthcare Shareholders at the Scheme Meeting; and
- (ii) all conditions precedent of the Scheme have been satisfied or remain capable of being satisfied, or waived (if applicable),

LifeHealthcare will apply to the Court for orders approving the Scheme.

(d) Effective Date

If the Court makes orders approving the Scheme, LifeHealthcare will lodge with ASIC an office copy of the Court orders given under section 411(4)(b) of the Corporations Act approving the Scheme. It is anticipated that this will occur on the Business Day immediately following the Court Approval Date.

Once the Scheme becomes Effective:

- (i) the Bidder will become bound to pay the Scheme Consideration to the Scheme Shareholders on the Implementation Date;
- (ii) if the Special Dividend has been declared, LifeHealthcare will become bound to pay the Special Dividend (this is expected to occur on the Implementation Date); and
- (iii) subject to payment of the aggregate Scheme Consideration by the Bidder as referred to in Section 3.3(a) below, LifeHealthcare will become bound to take the steps required for the Bidder to become the holder of all LifeHealthcare Shares.

3.3 IMPLEMENTATION OF THE SCHEME – PAYMENT OF SCHEME CONSIDERATION

On the Implementation Date, currently anticipated to be Friday, 25 May 2018, the Scheme will be implemented by LifeHealthcare and the Bidder undertaking the following steps.

(a) Deposit of aggregate Scheme Consideration by the Bidder

Before 5:00pm on the day before the Implementation Date, the Bidder will deposit (or will procure the deposit of) the aggregate Scheme Consideration payable to all Scheme Shareholders in cleared funds to an account nominated by LifeHealthcare to be held on trust by LifeHealthcare for Scheme Shareholders.

(b) Transfer of all LifeHealthcare Shares to the Bidder

Subject to payment of the aggregate Scheme Consideration by the Bidder as referred to in paragraph (a) above, all of the LifeHealthcare Shares will be transferred to the Bidder by LifeHealthcare and LifeHealthcare will enter the name of the Bidder in the Register in respect of all LifeHealthcare Shares.

3. Implementation of the Scheme continued

(c) Payment of Scheme Consideration and Special Dividend (if declared)

The Scheme Consideration will be paid by LifeHealthcare by either:

- (i) sending a cheque for the Scheme Consideration that you are entitled to receive under the Scheme to your address shown in the Register as at the Scheme Record Date; or
- (ii) making a payment to your nominated bank account with the Registry as at the Scheme Record Date.

If the Special Dividend is declared, it will be paid by LifeHealthcare in the same way that you have previously elected to receive dividends from LifeHealthcare. Accordingly, LifeHealthcare Shareholders are encouraged to elect to receive their dividend entitlements via electronic funds transfer.

If you have not previously notified the Registry of your nominated bank account or you would like to change your existing nominated bank account, you should contact the Registry on 1300 855 080 (within Australia) or +61 3 9415 4000 (outside Australia) Monday to Friday between 9:00am and 5:00pm (Sydney time) before the Scheme Record Date.

If a Scheme Shareholder has not nominated a bank account and their whereabouts are unknown as at the Scheme Record Date, the Scheme Consideration and Special Dividend (if any) will be paid into a separate bank account and held by LifeHealthcare until claimed or applied under laws dealing with unclaimed money. If you wish to confirm your current address details with the Registry, you may do so using the contact details above.

3.4 DETERMINATION OF PERSONS ENTITLED TO SCHEME CONSIDERATION

(a) Dealings on or prior to the Scheme Record Date

For the purpose of establishing the persons who are Scheme Shareholders, dealings in LifeHealthcare Shares will only be recognised if:

- (i) in the case of dealings of the type to be effected by CHESS, the transferee is registered on the Register as a holder of the relevant LifeHealthcare Shares as at the Scheme Record Date; and
- (ii) in all other cases, registrable transfers or transmission applications are received at the place where the Register is maintained by 7:00pm (Sydney time) on the Scheme Record Date (in which case, LifeHealthcare must register such transfers or transmission applications before 7:00pm (Sydney time) on the Scheme Record Date).

LifeHealthcare will not accept for registration nor recognise for the purpose of establishing the persons who are Scheme Shareholders any transmission application or transfer in respect of LifeHealthcare Shares received after such times or received prior to these times and not in registrable form.

(b) Dealings after the Scheme Record Date

For the purposes of determining entitlements to Scheme Consideration, LifeHealthcare will, until the Scheme Consideration has been paid to Scheme Shareholders and the name and address of the Bidder has been entered in the Register as the holder of all the LifeHealthcare Shares, maintain the Register in accordance with the terms of the Scheme, and the Register in this form will solely determine entitlements to the Scheme Consideration.

After 7:00pm (Sydney time) on the Scheme Record Date, each entry on the Register will cease to be of any effect other than as evidence of entitlement to the Scheme Consideration in respect of the LifeHealthcare Shares relating to that entry.

Any share certificates or statements of holding in respect of LifeHealthcare Shares shall, from the Scheme Record Date, cease to have any effect as documents of evidence of title in respect of such LifeHealthcare Shares.

3.5 DETERMINATION OF PERSONS ENTITLED TO SPECIAL DIVIDEND (IF DECLARED)

For the purpose of establishing the persons who are entitled to receive the Special Dividend (if it is declared), dealings in LifeHealthcare Shares will only be recognised if:

- (a) in the case of dealings of the type to be effected by CHES, the transferee is registered on the Register as a holder of the relevant LifeHealthcare Shares as at the Special Dividend Record Date; and
- (b) in all other cases, registrable transfers or transmission applications are received at the place where the Register is maintained by 7:00pm (Sydney time) on the Special Dividend Record Date (in which case, LifeHealthcare must register such transfers or transmission applications before 7:00pm (Sydney time) on the Special Dividend Record Date).

LifeHealthcare will not accept for registration nor recognise for the purpose of establishing the persons who are entitled to receive the Special Dividend (if it is declared) any transmission application or transfer in respect of LifeHealthcare Shares received after such times or received prior to these times and not in registrable form.

3.6 LIFEHEALTHCARE OPTIONS AND LIFEHEALTHCARE PERFORMANCE RIGHTS

(a) LifeHealthcare Options and LifeHealthcare Performance Rights on issue

As at the date of this Scheme Booklet, LifeHealthcare had:

- (i) 2,673,327 LifeHealthcare Options; and
- (ii) 147,122 LifeHealthcare Performance Rights,

on issue which, if they vest and are exercised in accordance with their terms of issue and the LTIP, convert into LifeHealthcare Shares on a one-for-one basis.

(b) Treatment of LifeHealthcare Options and LifeHealthcare Performance Rights in connection with the Scheme

Under the LTIP, in the event of a proposed change of control of LifeHealthcare, the LifeHealthcare Board has discretion to determine the treatment of any unvested LifeHealthcare Options and LifeHealthcare Performance Rights and the timing of such treatment. In accordance with the LTIP, the LifeHealthcare Board has exercised its discretion and determined that all of the LifeHealthcare Options and LifeHealthcare Performance Rights will vest and be treated in the following manner as part of the Scheme:

- (i) the LifeHealthcare Performance Rights will, subject to the Scheme becoming Effective, automatically convert into LifeHealthcare Shares on the Effective Date (after trading in LifeHealthcare Shares has been suspended at the close of trading on the ASX on that date);
- (ii) subject to the Scheme becoming Effective:
 - (A) LifeHealthcare Options may be exercised in accordance with their terms of issue and the LTIP at any time up to 5:00pm (Sydney time) on the Business Day before the Effective Date (**Exercise Period**);
 - (B) LifeHealthcare Options will, if validly exercised during the Exercise Period, convert into LifeHealthcare Shares on the Effective Date (after trading in LifeHealthcare Shares has been suspended at the close of trading on the ASX on that date); and
 - (C) any LifeHealthcare Options that are not exercised during the Exercise Period will lapse; and
- (iii) LifeHealthcare Shares issued to the former holders of LifeHealthcare Options that have been exercised in accordance with paragraph (ii) above and LifeHealthcare Performance Rights will be acquired by the Bidder on the Implementation Date as part of the Scheme, and the holders of those LifeHealthcare Shares will be entitled to receive the Scheme Consideration and the Special Dividend (if declared).

3. Implementation of the Scheme continued

3.7 DEED POLL

The Bidder has executed the Deed Poll, pursuant to which the Bidder has undertaken in favour of each Scheme Shareholder to provide the Scheme Consideration to which each Scheme Shareholder is entitled under the Scheme, subject to the Scheme becoming Effective.

A copy of the Deed Poll is set out in Attachment D to this Scheme Booklet.

3.8 TERMINATION RIGHTS

The termination rights of LifeHealthcare and the Bidder are set out in clause 12 of the Scheme Implementation Deed which is Attachment B to this Scheme Booklet. In summary:

- (a) either party may terminate the Scheme Implementation Deed if:
- (i) a condition precedent has not been satisfied or waived (as applicable), and, in certain circumstances, LifeHealthcare and the Bidder are unable to agree on a course of action; or
 - (ii) the other party commits a material breach of the Scheme Implementation Deed which is not rectified within 10 Business Days of notification of the breach by the non-breaching party;
- (b) the Bidder may terminate the Scheme Implementation Deed if:
- (i) LifeHealthcare materially breaches LifeHealthcare's exclusivity obligations described in Section 3.9 below;
 - (ii) a LifeHealthcare Director:
 - (A) withdraws, adversely changes or makes any public statement that is inconsistent with his recommendation or voting intention; or
 - (B) recommends, endorses or supports any Competing Proposal, in any circumstances (including as a result of a Superior Proposal or the Independent Expert concluding in the Independent Expert's Report that the Scheme is not in the best interests of LifeHealthcare Shareholders); or
 - (iii) in any circumstances, LifeHealthcare enters into any agreement or arrangement in relation to the implementation of a Competing Proposal;
- (c) LifeHealthcare may terminate the Scheme Implementation Deed if:
- (i) at any time before the Delivery Time, a majority of the LifeHealthcare Board publicly withdraws, qualifies or adversely changes their recommendation that LifeHealthcare Shareholders vote in favour of the Scheme, or publicly recommends a Competing Proposal; or
 - (ii) the Independent Expert concludes in the Independent Expert's Report (or any update or variation to that report) that the Scheme is not in the best interests of LifeHealthcare Shareholders; and
- (d) the parties may terminate the Scheme Implementation Deed by mutual agreement.

3.9 EXCLUSIVITY

Under the Scheme Implementation Deed, LifeHealthcare is subject to exclusivity obligations including no shop, no talk, no due diligence, notification obligations and matching rights in respect of Competing Proposals. These provisions are set out in clause 8 of the Scheme Implementation Deed which is Attachment B to this Scheme Booklet. In summary:

- (a) **(No shop)** From the date of the Scheme Implementation Deed until the earlier of the termination of the Scheme Implementation Deed and 27 July 2018 (**Exclusivity Period**), LifeHealthcare must not, and must ensure that its representatives do not:
- (i) solicit, initiate, encourage or invite any Competing Proposal;
 - (ii) solicit, invite, encourage or initiate any enquiries, negotiations, proposals or discussions which may reasonably be expected to lead to, a Competing Proposal; or
 - (iii) communicate any intention to do any of the things listed in sub-paragraphs (i) or (ii).

- (b) **(No talk)** During the Exclusivity Period, the LifeHealthcare Group must not, and must ensure that its representatives do not, negotiate, or enter into or participate in negotiations or discussions with any person (or communicate any intention to do any of these thing) in relation to, or which may reasonably be expected to lead to, a Competing Proposal, even if:
- (i) the Competing Proposal was not directly or indirectly solicited, invited, encouraged or initiated by the LifeHealthcare Group; or
 - (ii) that person has publicly announced the Competing Proposal.

LifeHealthcare's "no-talk" obligations described above do not apply to the extent that they restrict LifeHealthcare or any LifeHealthcare Director from taking or refusing to take any action with respect to a Competing Proposal, approach, inquiry, proposal or request for information (which was not solicited, initiated, encouraged or invited by the LifeHealthcare Group or its representatives in contravention of LifeHealthcare's "no-shop" obligations described in Section 3.9(a) above) if:

- (i) the Competing Proposal, approach, inquiry, proposal or request for information (as the case may be) is bona fide and is made by or on behalf of a person that the LifeHealthcare Board considers is of sufficient commercial standing; and
- (ii) the LifeHealthcare Board determines in good faith after:
 - (A) consultation with LifeHealthcare's financial and legal advisers, that the Competing Proposal, approach, inquiry or proposal or request for information (as the case may be) is or may be reasonably expected to lead to a Superior Proposal; and
 - (B) receiving advice from LifeHealthcare's external Australian legal advisers, that failing or refusing to take the action (as the case may be) with respect to the Competing Proposal, approach, inquiry, proposal or request for information (as the case may be) may constitute a breach of its fiduciary or statutory duties,

(the **Fiduciary Exception**).

- (c) **(No due diligence)** During the Exclusivity Period, LifeHealthcare must not, directly or indirectly:
- (i) solicit, initiate, facilitate, encourage or invite any person (other than the Bidder, its affiliates or its representatives) to undertake due diligence investigations in respect of LifeHealthcare or any member of the LifeHealthcare Group, or any of their respective businesses and operations, in connection with such person formulating, developing or finalising a Competing Proposal; or
 - (ii) subject to the Fiduciary Exception, make available to any person (other than the Bidder, its affiliates or its representatives) or permit any such person to receive, other than in the ordinary course of business or as required by law or the rules of any prescribed financial market, any non-public information relating to LifeHealthcare or any member of the LifeHealthcare Group, or any of their respective businesses and operations, with a view to obtaining or which may reasonably be expected to lead to a Competing Proposal.
- (d) **(Notification obligation)** During the Exclusivity Period, LifeHealthcare must notify the Bidder in writing as soon as practicable, and in any event within 2 Business Days, if the LifeHealthcare Group (or any of its representatives) receives:
- (i) an actual Competing Proposal or any approach, inquiry or proposal made by a third party to initiate any discussions or negotiations that could reasonably be expected to lead to a Competing Proposal; or
 - (ii) any request made by a third party for any information in relation to the LifeHealthcare Group or any of their businesses or operations, that the LifeHealthcare Board has reasonable grounds to suspect may be in connection with such third party formulating, developing or finalising a Competing Proposal,
- (each, a **Notifiable Proposal**),
- and that notice must set out:
- (iii) the identity of the third party that made the Notifiable Proposal; and
 - (iv) to the extent known by LifeHealthcare, the material terms of the Notifiable Proposal (including price, conditions precedent and proposed timing).

3. Implementation of the Scheme continued

- (e) (**Bidder matching right**) LifeHealthcare must, and must procure that its representatives do not, enter into any binding agreement, arrangement or understanding to implement a Competing Proposal, and must use its reasonable endeavours to ensure that no LifeHealthcare Director withdraws, changes or modifies their recommendation or voting intention in respect of the Scheme, or otherwise makes publicly recommends, supports or endorses a Competing Proposal, unless:
- (i) the Competing Proposal is a Superior Proposal;
 - (ii) LifeHealthcare has complied with its notification obligations described in Section 3.9(d) above;
 - (iii) LifeHealthcare has given the Bidder 5 Business Days after the provision of the information referred to in Section 3.9(d) above to provide a counter proposal to the Competing Proposal (**Bidder Counter Proposal**); and
 - (iv) the Bidder has not provided a Bidder Counter Proposal before the expiry of the 5 Business Day period referred to in sub-paragraph (iii) above.

If the Bidder provides a Bidder Counter Proposal before the expiry of 5 Business Day period referred to in sub-paragraph (iii) above, the LifeHealthcare Board must consider the Bidder Counter Proposal. If the LifeHealthcare Board, acting in good faith and after consulting its financial and legal advisers, determines that the Bidder Counter Proposal would be reasonably likely provide an outcome that is no less favourable, or more favourable, to LifeHealthcare Shareholders as a whole than the relevant Competing Proposal (having regard to matters including, but not limited to, consideration, conditionality, funding, certainty and timing), then LifeHealthcare and the Bidder must use their reasonable endeavours to agree any amendments to the Scheme Implementation Deed and the contents of this Scheme Booklet which are reasonably necessary to reflect the Bidder Counter Proposal. Once agreed, as soon as reasonably practicable:

- (i) LifeHealthcare and the Bidder must enter into an appropriate amending deed to give effect to those amendments; and
- (ii) LifeHealthcare must use its reasonable endeavours to ensure that the LifeHealthcare Board unanimously recommends the Bidder Counter Proposal to LifeHealthcare Shareholders and does not recommend the relevant Competing Proposal.

3.10 BREAK FEE AND LIMITATION ON LIFEHEALTHCARE'S LIABILITY

The Break Fee provisions are set out in clause 9 of the Scheme Implementation Deed, which is Attachment B to this Scheme Booklet.

In summary, LifeHealthcare must pay to the Bidder a break fee of 1% of the aggregate of the Total Cash Payment, plus the amount of the Interim Dividend, payable for all the LifeHealthcare Shares under the Scheme (**Break Fee**) (which is approximately \$1.8 million) if:

- (a) any LifeHealthcare Director fails to make, withdraws, adversely changes or adversely modifies, his recommendation that LifeHealthcare Shareholders vote in favour of the Scheme at the Scheme Meeting or voting intention, or otherwise makes any public statement supporting or endorsing a Competing Proposal, except:
 - (i) as a direct result of or following the Independent Expert concluding that the Scheme is not in the best interests of LifeHealthcare Shareholders (other than where the sole or dominant reason for that conclusion is the existence of a Superior Proposal); or
 - (ii) in circumstances where LifeHealthcare is entitled to terminate the Scheme Implementation Deed as a result of a material breach by the Bidder of the Scheme Implementation Deed which is not rectified within 10 Business Days of LifeHealthcare notifying the Bidder of the breach;
- (b) a third party publicly announces a Competing Proposal on or before 27 July 2018 (or, if earlier, the valid termination of the Scheme Implementation Deed) and, within 9 months of the announcement, that third party (or an associate) acquires all or a substantial part of the business or assets of the LifeHealthcare Group, or acquires Control of or merges with LifeHealthcare (or any material LifeHealthcare Group Member);
- (c) between the date of the Scheme Implementation Deed and the Delivery Time, the Bidder validly terminates the Scheme Implementation Deed as a result of a material breach by LifeHealthcare of the Scheme Implementation Deed which is not rectified within 10 Business Days of the Bidder notifying LifeHealthcare of the breach; or
- (d) the Bidder validly terminates the Scheme Implementation Deed due to a Prescribed Occurrence occurring between the date of the Scheme Implementation Deed and the Delivery Time.

The maximum liability of LifeHealthcare to the Bidder under or in connection with the Scheme Implementation Deed (including in respect of any breach by LifeHealthcare of the terms of the Scheme Implementation Deed) is an amount equal to the Break Fee, and in no event will the aggregate liability of LifeHealthcare under or in connection with the Scheme Implementation Deed exceed an amount equal to the Break Fee.

3.11 DELISTING

If the Scheme becomes Effective, on or after the Implementation Date (to be determined by the Bidder), LifeHealthcare will apply for termination of the official quotation of LifeHealthcare Shares on the ASX, and to be removed from the official list of the ASX.

3.12 END DATE

If the Scheme has not become Effective on or before 27 July 2018 (or such later date that LifeHealthcare and the Bidder agree in writing), either LifeHealthcare or the Bidder is able to terminate the Scheme Implementation Deed. If the Scheme Implementation Deed is terminated, the Scheme will not proceed.

3.13 FURTHER QUESTIONS

If you have any further questions, you should call the Shareholder Information Line on 1300 171 780 (within Australia) or +61 3 9415 4370 (outside Australia) Monday to Friday between 9:00am and 5:00pm (Sydney time).

Information on LifeHealthcare

4



4.1 OVERVIEW OF LIFEHEALTHCARE

LifeHealthcare is a leading independent distributor of medical devices operating in Australia and New Zealand.

LifeHealthcare is headquartered in Sydney and is listed on the ASX, where it trades under the code “LHC”. The business was founded in 2006 and currently employs over 195 people, with offices in Australia and New Zealand.

For the financial year ended 30 June 2017, LifeHealthcare reported sales revenue of \$126.7 million and EBITDA before significant items of \$20.4 million. For the financial half year ended 31 December 2017, LifeHealthcare reported sales revenue of \$67.4 million and EBITDA before significant items of \$9.8 million.

4.2 OVERVIEW OF OPERATIONS

LifeHealthcare generates revenues through the distribution of medical devices across a range of clinically specialised therapeutic channels including Spine, Orthopaedics, Neurosurgery, Cardiology, Endovascular, Respiratory, Neurophysiology and General Surgery. It also provides tailored solutions for customers including a global sourcing network, regulatory capability, professional education programs and clinician training, product development, and specialised clinical services. These services are focused on three product categories, which are described in paragraphs (a), (b) and (c) below.

(a) Implantable Devices

Implants are surgically implanted devices to replace, support or enhance the existing biological structure of the body, for example screws for spine fixation and total joint prostheses such as hips and knees.

Implantable devices involve a high degree of technical skill and expertise as the product is implanted into patients during a surgical procedure. The surgeon undertaking the procedure is the primary user of the device and the key decision maker in the choice of the device.

Due to the complex nature of implantable devices, a high degree of clinical support is required to ensure optimal application of the device, including attendance in the operating theatre by LifeHealthcare staff. The services LifeHealthcare provide alongside the device, including clinical education, are highly valued by the surgeon and are an integral part of LifeHealthcare’s competitive positioning and customer offering.

(b) Non-Implantable Devices

Non-Implantable devices are used or consumed during surgical procedures, for example re-usable surgical instruments and suction systems and do not remain within the body of the patient on discharge.

These differ from implantable devices in that purchasing decisions are not always made at the individual surgeon or clinician level, but rather at a department or hospital wide level. Products in this category are often still of a technical and clinical nature and require high levels of clinical support and education from LifeHealthcare.

(c) Capital Equipment

Capital equipment has an enduring nature and is used clinically either in a hospital operating or outpatient clinical setting, for example ultrasound machines, specialised operating theatre tables, spinal robotic systems or mobile CT scanners.

The capital products LifeHealthcare sells are highly technical in nature and the interface between the user and the equipment can have a bearing on the outcome of the use of the equipment in clinical settings. As with LifeHealthcare’s other product categories, the sale of capital equipment often requires a high degree of technical support from LifeHealthcare staff.

LifeHealthcare generates approximately 95% of its revenue in Australia and approximately 5% of its revenue in New Zealand, and does not have any single customer who contributes more than 10% of the total revenue of the LifeHealthcare Group.

4. Information on LifeHealthcare continued

4.3 BOARD AND SENIOR MANAGEMENT

(a) LifeHealthcare Directors

As at the date of this Scheme Booklet, the LifeHealthcare Board is comprised of the following directors:

Name	Current position
Bill Best	Non-Executive Director and Chairman
John Hickey	Non-Executive Director
Heith Mackay-Cruise	Non-Executive Director
Matt Muscio	Executive Director and Chief Executive Officer

(b) LifeHealthcare senior management

As at the date of this Scheme Booklet, LifeHealthcare's senior management team is comprised of the following members:

Name	Current position
Matt Muscio	Chief Executive Officer
Dean Taylor	Chief Financial Officer and Company Secretary
Kristine James	General Manager Corporate Development
Paul Petherbridge	General Manager Spine
Fraser Cleave	General Manager Orthopaedics and Theatre Capital
Tom MacFarlane	General Manager Surgical Technologies
Jarek Kowalczyk	General Manager Marketing
Leah Burns	General Manager People & Culture
Meg Summerton	General Manager Finance

4.4 LIFEHEALTHCARE DIRECTORS' INTENTIONS

If the Scheme becomes Effective, the Bidder intends to replace some or all members of the LifeHealthcare Board with nominees of the Bidder after the Implementation Date (see Section 5.5(c)). Accordingly, it is not possible for the LifeHealthcare Board to provide a statement of their intentions regarding:

- the continuation of the business of LifeHealthcare or how LifeHealthcare's existing business will be conducted;
- any major changes to be made to the business of LifeHealthcare, including any redeployment of the fixed assets of LifeHealthcare; or
- the future employment of the present employees of LifeHealthcare,

in each case, after the Scheme is implemented.

If the Scheme is implemented, the Bidder will own all of the LifeHealthcare Shares and the Bidder Group will be the ultimate Controller of LifeHealthcare. The Bidder's intentions in relation to the LifeHealthcare business and its directors and employees in the event that the Scheme becomes Effective are set out in Section 5.5.

In the event that the Scheme does not proceed, the LifeHealthcare Boards intend that LifeHealthcare will continue its current strategic plans and operate on a stand-alone basis and will remain listed on the ASX. See Section 6.2 for further information on the strategy and intentions of LifeHealthcare if the Scheme does not proceed.

4.5 RECENT LIFEHEALTHCARE SHARE PRICE PERFORMANCE

The entry by LifeHealthcare and the Bidder into the Scheme Implementation Deed was announced to the ASX on 6 February 2018. The closing price of LifeHealthcare Shares on the ASX on 2 February 2018 (being the last day on which LifeHealthcare Shares traded before LifeHealthcare announced that it and the Bidder had entered into the Scheme Implementation Deed) was \$2.57.

The closing price for LifeHealthcare Shares on the ASX on 21 March 2018 (being the Last Practicable Trading Date) was \$3.60.

The following chart highlights the movements in the LifeHealthcare Share price over the 24 months to 21 March 2018 (being the Last Practicable Trading Date).



Source: Factset as at 21 March 2018

1. \$3.75 represents the Scheme Consideration, before reduction of the Interim Dividend of \$0.075. The Interim Dividend went ex-dividend on 5 March 2018 and was paid on 21 March 2018.
2. \$3.675 represents the Scheme Consideration after reduction of the Interim Dividend of \$0.075.

4.6 HISTORICAL FINANCIAL INFORMATION

(a) Basis of preparation

The information set out below summarises certain financial information in relation to LifeHealthcare for the purpose of this Scheme Booklet. The information has been extracted from LifeHealthcare's financial results for the financial half year ended 31 December 2017 (**H1 FY2018**), and its audited financial statements for the financial years ended 30 June 2016 (**FY2016**) and 30 June 2017 (**FY2017**).

The financial information contained in this section is presented in an abbreviated form and may not contain all the disclosures, presentation, statements or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act, and should therefore be read in conjunction with the financial statements for the respective periods, including the description of accounting policies contained in those financial statements and the notes to those financial statements. A full description of LifeHealthcare's accounting policies can be found in its annual financial report for FY2017.

LifeHealthcare's full financial accounts, including all notes to those accounts, can be found in:

- LifeHealthcare's Appendix 4E and the 2016 Annual Financial Report (released to the ASX on 23 August 2016);
- LifeHealthcare's Appendix 4E and the 2017 Annual Financial Report (released to the ASX on 22 August 2017); and
- LifeHealthcare's Appendix 4D and the Interim Report for the half year ended 31 December 2017 (released to the ASX on 20 February 2018).

Copies of these reports can be found on ASX's website at www.asx.com.au and the LifeHealthcare website at www.lifehealthcare.com.au.

4. Information on LifeHealthcare continued

(b) LifeHealthcare Historical Consolidated Statement of Profit or Loss and Other Comprehensive Income

The table below presents the LifeHealthcare historical consolidated statement of profit or loss and other comprehensive income for FY2016, FY2017 and H1 FY2018.

LifeHealthcare Historical Consolidated Statement of Profit or Loss and Other Comprehensive Income

\$'000	FY2016 (restated)	FY2017	H1 FY2018
Revenue	114,787	126,708	67,411
Cost of goods sold	(50,671)	(60,836)	(30,186)
Gross profit	64,116	65,872	37,225
Employee benefits expense	(30,003)	(30,183)	(17,390)
Depreciation and amortisation expense	(5,493)	(5,972)	(2,886)
Travel expenses	(2,721)	(2,858)	(1,495)
Occupancy expenses	(1,658)	(1,865)	(917)
Distribution expenses	(2,266)	(2,922)	(1,694)
Marketing and advertising expenses	(1,949)	(1,809)	(1,091)
Telecommunications expense	(355)	(338)	(140)
Director fees	(339)	(390)	(178)
Motor vehicle expenses	(264)	(232)	(25)
Transaction related expenses	(337)	(650)	(1,895)
Other expenses	(5,078)	(4,920)	(4,459)
Finance costs	(2,307)	(2,368)	(1,176)
Share of loss from interest in joint venture	(21)	(445)	(2)
(Loss)/profit before income tax	11,325	10,920	3,877
Income tax benefit/(expense)	(3,761)	(3,776)	(1,695)
(Loss)/profit for the year	7,564	7,144	2,182
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign controlled entities	57	24	(53)
Changes in the fair value of cash flow hedges	(3,168)	637	302
Income tax relating to components of other comprehensive	950	(191)	(91)
Total comprehensive (loss)/income for the year attributable to members of the parent entity	5,403	7,614	2,340

(c) LifeHealthcare Historical Consolidated Statement of Financial Position

The table below presents the LifeHealthcare historical consolidated statement of financial position for FY2016, FY2017 and H1 FY2018.

LifeHealthcare Historical Consolidated Statement of Financial Position

\$'000	FY2016 (restated)	FY2017	H1 FY2018
Assets			
Current Assets			
Cash and cash equivalents	4,051	5,503	5,498
Trade and other receivables	24,852	24,190	21,668
Inventories	36,282	37,612	42,994
Derivative financial assets	452	–	83
Total – Current Assets	65,637	67,305	70,243
Non-Current Assets			
Investment in joint ventures	390	–	–
Property, plant and equipment	10,292	10,404	10,769
Deferred tax assets	5,757	4,364	2,785
Intangible assets	28,427	27,270	39,218
Total – Non-Current Assets	44,866	42,038	52,772
Total Assets	110,503	109,343	123,015
Liabilities			
Current Liabilities			
Trade and other payables	24,215	22,559	23,640
Borrowings	2,856	2,854	–
Current tax liabilities	731	2,086	1,318
Provisions	1,681	1,720	1,744
Derivative financial liabilities	1,563	786	652
Other current liabilities	259	137	82
Total – Current Liabilities	31,305	30,142	27,436
Non-Current Liabilities			
Borrowings	33,808	30,959	43,881
Provisions	553	625	687
Derivative financial liabilities	647	336	401
Total – Non-Current Liabilities	35,008	31,920	44,969
Total Liabilities	66,313	62,062	72,405
Net Assets	44,190	47,281	50,610
Equity			
Contributed equity	26,276	27,185	31,211
Reserves	(2)	895	1,361
Retained earnings	17,916	19,201	18,038
Total – Equity	44,190	47,281	50,610

4. Information on LifeHealthcare continued

(d) LifeHealthcare Historical Consolidated Statement of Cash Flows

The table below presents the LifeHealthcare historical consolidated statement of cash flows for FY2016, FY2017 and H1 FY2018.

LifeHealthcare Historical Consolidated Statement of Cash Flows

\$'000	FY2016 (restated)	FY2017	H1 FY2018
Cash flows from operating activities			
Receipts from customers	133,592	142,167	80,009
Payments to suppliers and employees	(119,788)	(122,490)	(71,178)
Interest received	17	–	–
Interest and other finance costs paid	(2,307)	(2,427)	(1,176)
Income taxes paid	(1,047)	(1,223)	(2,835)
Transaction related expenses	(339)	(117)	(451)
Net cash provided by operating activities	10,128	15,910	4,369
Cash flows from investing activities			
Payments for investments in joint ventures	(23)	–	–
Purchase of property, plant and equipment	(5,076)	(5,107)	(6,004)
Payment for acquisition of subsidiary, net of cash acquired	(8,664)	(1,401)	(5,858)
Net cash used by investing activities	(13,763)	(6,508)	(11,862)
Cash flows from financing activities			
Dividends paid	(5,317)	(5,190)	(3,345)
Proceeds from borrowings, net of costs	9,000	–	10,000
Repayment of borrowings	(2,000)	(3,000)	(696)
Issue of new shares	–	240	1,529
Net cash used by financing activities	1,683	(7,950)	7,488
Net increase/(decrease) in cash held	(1,952)	1,452	(5)
Cash and cash equivalents at beginning of financial year	6,003	4,051	5,503
Cash and cash equivalents at end of financial year	4,051	5,503	5,498

4.7 MATERIAL CHANGES TO THE FINANCIAL POSITION OF LIFEHEALTHCARE SINCE 31 DECEMBER 2017

So far as the LifeHealthcare Board is aware, the financial position of LifeHealthcare has not materially changed since 31 December 2017, as reported in the LifeHealthcare Interim Report for the financial half year ended 31 December 2017, other than:

- the accumulation of profits in the ordinary course of trading;
- as disclosed to ASX by LifeHealthcare; or
- as disclosed in this Scheme Booklet.

A copy of the LifeHealthcare Interim Report for the financial half year ended 31 December 2017 is available on LifeHealthcare's website (www.lifehealthcare.com.au).

4.8 LIFEHEALTHCARE EQUITY STRUCTURE

The equity structure of LifeHealthcare at the date of this Scheme Booklet is as follows:

Type of security	Number of securities
LifeHealthcare Shares	44,933,172
LifeHealthcare Performance Rights	147,122
LifeHealthcare Options	2,673,327

See Section 3.6 for further information on the treatment of LifeHealthcare Options and LifeHealthcare Performance Rights in connection with the Scheme.

4.9 SUBSTANTIAL SHAREHOLDERS

The substantial holders of LifeHealthcare Shares as at the Last Practicable Trading Date are:

Substantial shareholder	Number of LifeHealthcare Shares	Percentage of issued capital
Investors Mutual Limited	5,430,000	12.08%
Pengana Capital Limited	2,250,000	5.29%
Renaissance Smaller Companies Pty Limited	2,286,917	5.18%
Northcape Capital Pty Limited	2,300,000	5.00%

The shareholdings listed in this Section 4.9 are as disclosed to LifeHealthcare by the shareholders in substantial holding notices. Information in regard to substantial holdings arising, change or ceasing after this time or in respect of which the relevant announcement is not available on ASX's website (www.asx.com.au) is not included above.

4.10 RISKS RELATING TO LIFEHEALTHCARE'S BUSINESS

There are existing risks relating to LifeHealthcare's business and an investment in LifeHealthcare which will continue to be relevant to LifeHealthcare Shareholders if the Scheme does not become Effective. A summary of the key risks relating to LifeHealthcare's business and an investment in LifeHealthcare is set out in Sections 6.3, 6.4 and 6.5.

4. Information on LifeHealthcare continued

4.11 PUBLICLY AVAILABLE INFORMATION

LifeHealthcare is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a company listed on the ASX, LifeHealthcare is subject to the ASX Listing Rules which require (subject to some exceptions) continuous disclosure of any information LifeHealthcare has that a reasonable person would expect to have a material effect on the price or value of LifeHealthcare Shares.

ASX maintains files containing publicly disclosed information about all companies listed on the ASX. Information disclosed to ASX by LifeHealthcare is available on ASX's website at www.asx.com.au.

In addition, LifeHealthcare is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by LifeHealthcare may be obtained from an ASIC office.

LifeHealthcare Shareholders may obtain a copy of:

- LifeHealthcare's 2017 Annual Report (being the last full financial statements given to ASX) and the H1 FY2018 Interim Report (being the most recent financial reports recently lodged with ASX before registration of this Scheme Booklet with ASIC); and
- any announcements given to ASX by LifeHealthcare after the lodgement by LifeHealthcare of the H1 FY2018 Interim Report and before the date of this Scheme Booklet, on ASX's website at www.asx.com.au,

free of charge, by calling the Shareholder Information Line on 1300 171 780 (within Australia) or +61 3 9415 4370 (outside of Australia) Monday to Friday between 9:00am and 5:00pm (Sydney time), or from ASX's website at www.asx.com.au.

A list of announcements made by LifeHealthcare to ASX from the time that LifeHealthcare announced that it and the Bidder had entered into the Scheme Implementation Agreement on 6 February 2018 to the Last Practicable Trading Date are below:¹

Announcement	Date
LifeHealthcare Announces Entry into Scheme Implementation Deed	6 February 2018
LifeHealthcare FY18 Results Webcast	6 February 2018
Appendix 4D and Half Year Accounts	20 February 2018
H1 FY18 Announcement	20 February 2018
H1 FY18 Results Presentation	20 February 2018
Interim Dividend Distribution	20 February 2018
Interim Dividend Distribution Amendment	23 February 2018
FIRB Approval for Scheme of Arrangement	7 March 2018

A substantial amount of information about LifeHealthcare, including financial information and releases to ASX, is available in electronic form on LifeHealthcare's website at: <http://www.lifehealthcare.com.au>.

1. This excludes announcements relating to substantial holding notices.

Information on the Bidder and the Bidder Group

5

Theatre
No.4

19th Jun 17:29

Theatre
No.5

Theatre
No.6

5. Information on the Bidder and the Bidder Group continued

5.1 PREPARATION AND RESPONSIBILITY FOR BIDDER GROUP INFORMATION

The Bidder Group Information contained in this Section 5 has been prepared by, and is the responsibility of, the Bidder. LifeHealthcare and its directors, officers, employees and advisers do not assume any responsibility for the accuracy or completeness of the information in this Section 5.

5.2 PROFILE OF BIDDER

(a) Bidder Group

The Bidder, Pacific Health Supplies BidCo Pty Limited, is a wholly owned subsidiary of Pacific Health Supplies Holdco Pty Limited (ACN 624 033 450) (**HoldCo**), which in turn is a wholly owned subsidiary of Pacific Health Supplies MezzCo Pty Limited (ACN 624 032 908) (**MezzCo**), Pacific Health Supplies TopCo Pty Limited (ACN 624 032 051) (**TopCo**), and Pacific Health Supplies TopCo1 Pty Limited (ACN 624 030 897) (**TopCo1**) (together, the **Bidder Group**). Each member of the Bidder Group is directly or indirectly wholly owned by the Fund (defined below) as shown in Figure 1 at the end of Section 5.2(c).

The Bidder is a special purpose company that was incorporated on 25 January 2018 for the purpose of acquiring all of the LifeHealthcare Shares under the Scheme. The Bidder is an unlisted private Australian company and has not undertaken any trading activities. All of the shares in the Bidder are owned by HoldCo. If the Scheme becomes Effective, the Bidder will hold all of the LifeHealthcare Shares on or shortly after the Implementation Date.

HoldCo is a special purpose company that was incorporated on 25 January 2018 for the purpose of holding all of the shares in the Bidder. HoldCo is an unlisted private Australian company and has not undertaken any trading activities. All of the shares in HoldCo are owned by MezzCo.

MezzCo is a special purpose company that was incorporated on 25 January 2018 for the purposes of holding all of the shares in HoldCo. MezzCo is an unlisted private Australian company and has not undertaken any trading activities. All of the shares in MezzCo are owned by TopCo.

TopCo is a special purpose company that was incorporated on 25 January 2018 for the purposes of holding all of the shares in MezzCo. TopCo is an unlisted private Australian company and has not undertaken any trading activities. All of the shares in TopCo are owned by TopCo1.

TopCo1 is a special purpose company that was incorporated on 25 January 2018 for the purposes of holding all of the shares in TopCo. All of the shares in TopCo1 are held by the PEP Shareholders. TopCo1 is an unlisted private Australian company and has not undertaken any trading activities. All of the shares in TopCo1 are currently owned by the entities which together comprise the Fund.

The directors of the Bidder Group are Mr Anthony Duthie, Mr Geoff Hutchinson and Mr Matthew Robinson.

(b) Fund

Pacific Equity Partners is a member of a group of companies that manages or advises a number of unit trusts and limited partnerships operating as a single coinvestment fund known as Pacific Equity Partners Fund V or PEP Fund V (the **Fund**).

The following entities and funds which comprise the Fund will be indirectly participating in the Scheme and have an ownership interest in the Bidder Group:

- **Pacific Equity Partners Fund V L.P.** (a Delaware Limited Partnership) acting via its general partner Pacific Equity Partners Fund V GP (Jersey) Ltd;
- **Pacific Equity Partners Fund V-A L.P.** (a Delaware Limited Partnership) acting via its general partner Pacific Equity Partners Fund V GP (Jersey) Ltd;
- **Pacific Equity Partners Fund V-B L.P.** (a Delaware Limited Partnership) acting via its general partner Pacific Equity Partners Fund V GP (Jersey) Ltd;
- **Pacific Equity Partners Fund V-C L.P.** (a Delaware Limited Partnership) acting via its general partner Pacific Equity Partners Fund V GP (Jersey) Ltd;

- **Eagle Coinvestment Pty Limited** (ACN 119 182 688) as trustee for Pacific Equity Partners Fund V Co-investment Trust A;
 - **PEP Investment Pty Limited** (ACN 083 026 984); and
 - **Pacific Equity Partners Investors Administration Pty Ltd** (ACN 161 245 263) as trustee for the Pacific Equity Partners Fund V (Australasia) Unit Trust.
- (together, the **PEP Shareholders**).

Each of the above listed entities and funds comprise the Fund and have been set up to invest in business opportunities in Australia and New Zealand. The Fund has more than \$2 billion equity funds under management.

(c) Pacific Equity Partners

The PEP Shareholders are advised or managed by Pacific Equity Partners.

Pacific Equity Partners was founded in 1998 and is a leading Australian based private equity advisory firm which focuses on buyouts and late stage expansion capital in Australia and New Zealand.

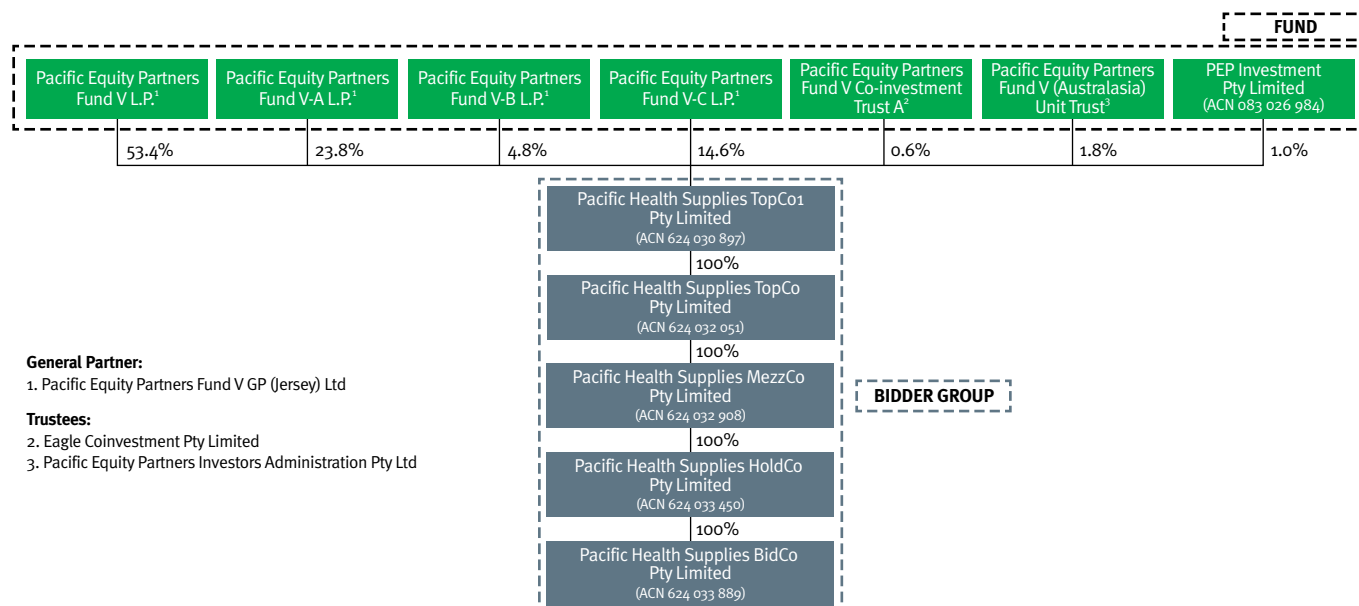
Since 1998, Pacific Equity Partners has managed or advised funds with more than \$8 billion in committed capital and has advised funds on over 25 completed transactions across a broad range of industries.

Recent investments made by funds managed or advised by Pacific Equity Partners include:

- iNova Pharmaceuticals – a consumer healthcare company that sells prescription and over-the-counter products;
- Allied Pinnacle – an Australian manufacturer of bakery products and ingredients; and
- Manuka Health – a New Zealand manufacturer and distributor of manuka honey products.

Further information on Pacific Equity Partners is available from its website at: www.pep.com.au.

FIGURE 1



General Partner:

1. Pacific Equity Partners Fund V GP (Jersey) Ltd

Trustees:

2. Eagle Coinvestment Pty Limited
3. Pacific Equity Partners Investors Administration Pty Ltd

5.3 CONNECTION TO THE SCHEME

The Scheme contemplates the acquisition of all LifeHealthcare Shares such that from the Implementation Date, the Bidder will hold 100% of the shares in LifeHealthcare. Under the Scheme, LifeHealthcare Shareholders will receive the Scheme Consideration in cash.

5. Information on the Bidder and the Bidder Group continued

5.4 FUNDING ARRANGEMENTS

(a) Maximum Scheme Consideration

If the Scheme becomes Effective and is implemented, LifeHealthcare Shareholders will receive the Scheme Consideration for each LifeHealthcare Share held by them as at the Scheme Record Date.

As described in Section 3.1, the terms of the proposed Scheme provide that LifeHealthcare Shareholders will receive from the Bidder \$3.75 cash per LifeHealthcare Share, less the amount of the Interim Dividend and the Special Dividend (if declared). On 20 February 2018, LifeHealthcare declared an Interim Dividend of \$0.075 per LifeHealthcare Share, which reduced the Scheme Consideration payable at the date of this Scheme Booklet to \$3.675 cash per LifeHealthcare Share (being \$3.75, less the Interim Dividend of \$0.075).

Based on the number of LifeHealthcare Shares on issue as at the date of this Scheme Booklet, and assuming that all LifeHealthcare Options and LifeHealthcare Performance Rights will vest and convert into LifeHealthcare Shares on or before the Scheme Record Date (see Section 3.6), the maximum aggregate Scheme Consideration that will be payable by the Bidder is approximately \$175,494,557. The maximum aggregate Scheme Consideration payable by the Bidder will be reduced by the aggregate amount of the Special Dividend (if declared), which will be paid by LifeHealthcare.

The Scheme is not subject to a financing condition.

(b) Cash funding arrangements

The Bidder will fund the consideration payable under the Scheme through a combination of external debt facilities (subject to meeting conditions precedent to drawdown) and funds provided by the Fund. Each of these funding sources is described below.

(i) External debt facilities

One source of funding for the consideration payable by the Bidder is the commitments obtained by the Bidder under debt facilities (**Debt Facilities**). The commitments for the Debt Facilities have been provided by Australia and New Zealand Banking Group Limited and Investec Australia Finance Pty Limited.

Under the Debt Facilities, the Bidder has the following commitments available:

- \$109,650,000 available for the purpose of funding the acquisition of LifeHealthcare Shares pursuant to the Scheme, repaying the existing indebtedness of the LifeHealthcare Group and paying related costs and expenses;
- \$15,000,000 available to fund growth capital expenditure and any future acquisitions as permitted under the Debt Facilities; and
- \$15,000,000 to fund working capital and general corporate purposes of the LifeHealthcare Group, including any working capital adjustment as at completion of the acquisition of the LifeHealthcare Shares.

The terms of the Debt Facilities include conditions precedent to drawdown, representations and warranties, undertakings, and events of default which are customary for facilities of this nature (including the obtaining of approval of the Scheme by LifeHealthcare Shareholders and the Court).

As at the date of this Scheme Booklet, the Bidder is not aware of any reason why the Debt Facilities will not be available to be drawn down for the purpose of the acquisition of the LifeHealthcare Shares on or prior to the Implementation Date.

(ii) Funding from the Fund

The Bidder has a legally binding equity commitment letter from the Fund dated 31 January 2018 (**Equity Commitment Letter**) under which each of the entities constituting the Fund irrevocably commits to pay to the Bidder such amounts as are necessary to meet the Bidder's obligations under the Scheme (less any amounts which are the subject of the Debt Facilities) in each entity's relevant proportion as set out in the Equity Commitment Letter and reproduced below (**Equity Funding**).

The entities constituting the Fund are severally responsible for providing the Equity Funding to the Bidder under the Equity Commitment Letter in the proportions set out in Figure 2 below.

FIGURE 2

	Entities constituting the Fund	Respective Proportion
1	Pacific Equity Partners Fund V L.P. (a Delaware Limited Partnership) acting via its general partner Pacific Equity Partners Fund V GP (Jersey) Ltd	53.4%
2	Pacific Equity Partners Fund V-A L.P. (a Delaware Limited Partnership) acting via its general partner Pacific Equity Partners Fund V GP (Jersey) Ltd	23.8%
3	Pacific Equity Partners Fund V-B L.P. (a Delaware Limited Partnership) acting via its general partner Pacific Equity Partners Fund V GP (Jersey) Ltd	4.8%
4	Pacific Equity Partners Fund V-C L.P. (a Delaware Limited Partnership) acting via its general partner Pacific Equity Partners Fund V GP (Jersey) Ltd	14.6%
5	PEP Investment Pty Limited (ACN 083 026 984)	1.0%
6	Eagle Coinvestment Pty Limited (ACN 119 182 688) as trustee for Pacific Equity Partners Fund V Co-investment Trust A	0.6%
7	Pacific Equity Partners Investors Administration Pty Ltd (ACN 161 245 263) as trustee for the Pacific Equity Partners Fund V (Australasia) Unit Trust	1.8%

Each entity in the Fund has agreed to subscribe for shares in TopCo1 in part to fund the cash consideration and other costs associated with the acquisition of LifeHealthcare under the Scheme.

(c) Conclusion

On the basis of the arrangements described above, the Bidder believes that it has reasonable grounds for holding the view, and holds the view, that the Bidder will be able to satisfy its obligation to pay the aggregate Scheme Consideration as and when it is due under the terms of the Scheme.

5.5 BIDDER'S INTENTIONS

(a) Introduction

If the Scheme is implemented, the Bidder will become the holder of all LifeHealthcare Shares and, accordingly, LifeHealthcare will become a wholly-owned subsidiary of the Bidder.

This Section 5.5 sets out the present intentions of the Bidder in relation to the continuation of LifeHealthcare's business, any major changes to the LifeHealthcare business, the future employment of the present employees of LifeHealthcare and any redeployment of the fixed assets of LifeHealthcare, in each case if the Scheme is implemented.

The statements made in this Section 5.5 are statements of present intention only and are based on the information concerning LifeHealthcare (including certain non-public information made available by LifeHealthcare to the Bidder prior to the entry into the Scheme Implementation Deed) and the general business environment which is known to the Bidder at the time of preparation of this Scheme Booklet. Final decisions will only be made by the Bidder after having conducted a detailed review of LifeHealthcare's business after the Scheme has been implemented. Accordingly, the statements set out in this Section 5.5 may change as new information becomes available or as circumstances change.

5. Information on the Bidder and the Bidder Group continued

(b) Removal from the ASX

If the Scheme is implemented, the Bidder will arrange for an application to be made to ASX for LifeHealthcare to be removed from ASX's official list with effect from on or shortly after the Implementation Date.

(c) LifeHealthcare Directors

If the Scheme is implemented, the Bidder intends to replace some or all members of the LifeHealthcare Board with nominees of the Bidder.

(d) Head office

The Bidder intends for LifeHealthcare to maintain its current head office and operations at North Ryde, Sydney following implementation of the Scheme.

(e) Employees

LifeHealthcare is a people driven business. The Bidder considers that a well-trained and motivated workforce is critical to maintaining the high standards of the business, and that the retention and incentivisation of staff is an essential component of the future success of the company.

The Bidder is not planning to make changes to existing roles and intends to work with the management team to ensure the organisation is appropriately set up to pursue the growth opportunities in the market.

(f) Changes to LifeHealthcare constitution

The Bidder has no current intention to make material changes to LifeHealthcare's constitution following implementation of the Scheme, other than to reflect that LifeHealthcare will no longer be a publicly listed company following implementation of the Scheme.

The constitution will be considered as part of the Bidder's broader review of LifeHealthcare and, if deemed appropriate, will be amended.

(g) Business, operations and assets

It is the current intention of the Bidder to continue LifeHealthcare's focus on the Australian and New Zealand medical devices market and largely operate LifeHealthcare in its current form while providing support to pursue organic and acquisition-based growth opportunities as appropriate. The Bidder does not intend to redeploy any of LifeHealthcare's fixed assets.

The Bidder intends to continue to operate LifeHealthcare under its current name. As described previously, the Bidder will undertake a full review of LifeHealthcare and its operations following implementation of the Scheme to determine how best to operate and further develop and grow the company. Decisions regarding future business operations will be made following the completion of that review. However, as at the date of this Scheme Booklet, the Bidder does not intend to dispose of any of LifeHealthcare's material assets.

5.6 ADDITIONAL INFORMATION OF PACIFIC EQUITY PARTNERS AND THE BIDDER GROUP

(a) Interests in LifeHealthcare Shares

As at the date of this Scheme Booklet:

- (i) the voting power of the Bidder and its Associates in LifeHealthcare is 0%; and
- (ii) the Bidder and its Associates have no Relevant Interests in any LifeHealthcare Shares.

(b) No dealings in LifeHealthcare Shares in the previous four months

Neither the Bidder nor any of its Associates has provided, or agreed to provide, consideration for LifeHealthcare Shares under a purchase or agreement during the period of four months before the date of this Scheme Booklet except for the Scheme Consideration which the Bidder has agreed to provide under the Scheme (as reflected in the Scheme Implementation Deed and the Deed Poll).

(c) Inducing benefits given during previous four months

Neither the Bidder nor any of its Associates, during the period of four months before the date of this Scheme Booklet, gave, or offered to give or agreed to give, a benefit to another person which was likely to induce the other person, or an Associate, to:

- (i) vote in favour of the Scheme; or
- (ii) dispose of LifeHealthcare Shares,

and which benefit was not offered to all LifeHealthcare Shareholders under the Scheme.

(d) Benefits to LifeHealthcare Directors

The Bidder will not be making any payment or giving any benefit to any current LifeHealthcare Director as compensation or consideration for, or otherwise in connection with, their resignation from the LifeHealthcare Board, if the Scheme becomes Effective and the LifeHealthcare Board is accordingly reconstituted.

(e) No interests of Bidder Group directors in LifeHealthcare Shares

As at the date of this Scheme Booklet none of the directors of the Bidder has a Relevant Interest in any LifeHealthcare Shares.

(f) No other agreements or arrangements

There are no agreements or arrangements between the Fund or the Bidder Group and a LifeHealthcare Director in connection with or conditional on the outcome of the Scheme.

(g) No other material information

Except as set out in this Scheme Booklet, there is no information that is material to the making of a decision by a LifeHealthcare Shareholder on whether or not to vote in favour of the Scheme that is within the knowledge of any director of the Bidder or a member of the Bidder Group as at the date of this Scheme Booklet that has not been previously disclosed to LifeHealthcare Shareholders.

5.7 CONSENTS**(a) Each of:**

- (i) the Fund;
- (ii) each member of the Bidder Group; and
- (iii) Pacific Equity Partners Pty Limited,

has given, and has not withdrawn before the date of this Scheme Booklet, their consent to be named in this Scheme Booklet in the form and context in which they are named and has consented to the statements by them, or statements said in this Scheme Booklet to be based on statements by them, in the form and context in which those statements are included in this Scheme Booklet.

(b) Each person named in this Section 5:

- (i) has not authorised or caused the issue of this Scheme Booklet;
- (ii) does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based, other than the Bidder Group Information; and
- (iii) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Scheme Booklet, other than a reference to its name and the Bidder Group Information.

What if the Scheme is not implemented?

6



6.1 WHAT IF THE SCHEME IS NOT IMPLEMENTED?

If the Scheme is not implemented, there will be no change to LifeHealthcare and it will continue to operate on a stand-alone basis. As such, LifeHealthcare will remain listed on the ASX and you will retain your LifeHealthcare Shares and they will not be acquired by the Bidder. While it is not possible to predict the future performance of LifeHealthcare, in deciding whether or not to vote in favour of the Scheme you should have regard to the prospects of LifeHealthcare on a stand-alone basis (that is, if the Scheme is not approved and implemented).

The following are some possible implications of the Scheme not being implemented:

- LifeHealthcare Shareholders will retain their LifeHealthcare Shares and they will not be acquired by the Bidder;
- LifeHealthcare Shareholders will not receive the Total Cash Payment;
- LifeHealthcare will, in the absence of another proposal, continue to operate as a stand-alone company listed on the ASX and, as such, LifeHealthcare Shareholders will be exposed to the risks relating to LifeHealthcare's business (refer to Section 6.3 for a summary of these risks); and
- if no comparable proposal or Superior Proposal is received by the LifeHealthcare Board, then the LifeHealthcare Share price is expected to fall.

LifeHealthcare estimates that, if the Scheme is not implemented, it will be required to pay one-off transaction costs of approximately \$1.7 million (excluding GST and any Break Fee that may be payable to the Bidder – see Section 3.10 for a summary of the circumstances in which a Break Fee would be payable by LifeHealthcare), which are primarily fees payable to LifeHealthcare's advisers and the Independent Expert. The payment of these transaction costs would affect the cash balance of the LifeHealthcare Group.

6.2 STRATEGY AND INTENTIONS FOR LIFEHEALTHCARE IF THE SCHEME DOES NOT PROCEED

LifeHealthcare intends to continue its current strategic plans and operate on a stand-alone basis in accordance with its publicly-stated strategic plan should the Scheme not proceed (or a comparable proposal or Superior Proposal emerge). The current strategic plan targets both organic and acquisition-led growth in order to continue to connect Australian and New Zealand healthcare professionals with innovative and tailored health solutions and products.

If the Scheme does not proceed, LifeHealthcare will pursue organic growth through its strong pipeline of new products with existing suppliers, together with new distribution agreements for products in new and existing therapeutic channels. This will be complemented by potential bolt-on acquisitions to enter new channels, accelerate existing growth, expand into new geographic markets, or pursue greater vertical integration.

The points above should be considered in conjunction with the general investment risks and specific risks relating to an investment in LifeHealthcare outlined in Sections 6.3, 6.4 and 6.5.

6.3 RISKS ASSOCIATED WITH LIFEHEALTHCARE IF THE SCHEME IS NOT IMPLEMENTED

The LifeHealthcare Board considers that it is appropriate for LifeHealthcare Shareholders, in considering the Scheme, to be aware that there are a number of risks which could materially and adversely affect the future operating and financial performance of LifeHealthcare, as well as the value of LifeHealthcare.

Sections 6.4 and 6.5 outline:

- general investment risks (refer to Section 6.4); and
- specific risks relating to an investment in LifeHealthcare (refer to Section 6.5).

Sections 6.4 and 6.5 are a summary of notable risks that could have an impact on LifeHealthcare and therefore a continued investment in LifeHealthcare Shares, and does not purport to list every risk that may be associated with an investment in LifeHealthcare now or in the future.

6. What if the Scheme is not implemented? continued

If the Scheme is implemented, you will receive the Scheme Consideration, will cease to be a LifeHealthcare Shareholder and will also no longer be exposed to the risks set out below. If the Scheme is not implemented, you will continue to hold your LifeHealthcare Shares and continue to be exposed to risks associated with that investment.

You should carefully consider the risks described in Sections 6.4 and 6.5, as well as the other information contained in this Scheme Booklet before voting on the Scheme. Sections 6.4 and 6.5 are general in nature only and do not take into account your individual objectives, financial situation, taxation position or particular needs.

6.4 GENERAL INVESTMENT RISKS

The market price of LifeHealthcare Shares is influenced by a number of factors in the Australian and New Zealand market in which LifeHealthcare operates, including the following:

- changes in investor sentiment and overall performance of the Australian stock market;
- changes in general business, industry cycles and economic conditions including inflation, interest rates, exchange rates, commodity prices, employment levels and consumer demand;
- changes in government fiscal, monetary and regulatory policies;
- government or political intervention in export and import markets (including sanction controls and import duties) and the disruptions this causes to supply and demand dynamics;
- interruptions at LifeHealthcare's workplaces arising from industrial disputes, work stoppages and accidents, which may result in business operations delays; and
- accounting standards which affect the financial performance and position reported by LifeHealthcare.

6.5 RISKS ASSOCIATED WITH YOUR CURRENT INVESTMENT IN LIFEHEALTHCARE

(a) Changes in government policies and regulation

LifeHealthcare is subject to a range of laws, regulations and government policies. As LifeHealthcare sources products from the USA and Europe, it is also subject to and affected by certain laws, regulations and government policies in those countries. A change in government policy or regulation may occur due to economic conditions, budget deficits, political shifts or delays in the appropriation process, which may have an adverse impact on LifeHealthcare's future financial performance and position. Any future increase in the cost of regulatory compliance that is unable to be passed through to customers may also have an adverse impact on LifeHealthcare's future financial performance and position.

For example:

- the regulations governing the funding of prostheses by private health insurers could potentially be amended and this may have an adverse impact on LifeHealthcare's future financial performance;
- laws or regulations could be amended or new laws or regulations introduced that have the effect of changing the current pricing environment for the sale of medical devices or changing the current status of product approvals;
- changes to laws and regulations affecting the import of medical device products into Australia whether by the Therapeutic Goods Administration or otherwise; and
- changes to laws and regulations affecting the export of medical device products out of the USA or Europe.

(b) Loss of key suppliers and customers

The performance of LifeHealthcare is reliant on its relationships with suppliers and key customers. The loss of one or more key supplier relationships may impact LifeHealthcare's revenues and profitability in the future. In addition, there is no guarantee that surgeons, hospitals and clinicians will continue to buy products from LifeHealthcare.

(c) Foreign exchange rate movements

LifeHealthcare buys a large proportion of its products from USA and European suppliers in US dollars or euros and receives revenue from the sale of these products in Australian and New Zealand dollars. Despite its hedging policy and inventory holding period, LifeHealthcare's future Australian dollar financial results may be adversely impacted by movements in the AUD/USD exchange rate or AUD/EUR exchange rate.

(d) Price increases by suppliers

Certain distribution agreements with suppliers contain provisions which allow the supplier to increase its prices periodically. There is a risk that a distribution agreement entered into with one or more of LifeHealthcare's key suppliers could be amended with respect to pricing as a result of the supplier exercising its rights under these provisions, and LifeHealthcare may be unable to pass on these price increases to its customers.

(e) Product innovation by competitors

There is a risk that a competitor develops or secures the rights to sell a product that is, or is perceived to be, superior to LifeHealthcare's products. In the event that a manufacturer that is not currently a supplier to LifeHealthcare introduces a superior product to that offered by LifeHealthcare, LifeHealthcare may be precluded from entering into contractual terms with such manufacturer due to existing restrictive contractual terms.

(f) Increased competition

Existing competitors or new entrants to markets in which LifeHealthcare currently operates may be successful in taking market share from LifeHealthcare.

(g) Ability to attract and retain key personnel including sales representatives

Key personnel, such as sales representatives, are crucial to the success of LifeHealthcare's operations. The loss of such personnel and a failure to recruit high quality replacements may result in reduced revenues.

(h) Malfunction, recall or other issues associated with the products sold by LifeHealthcare

If a product that LifeHealthcare sells is subject to a product liability issue or a product recall due to a deficiency in the product, this is likely to have an adverse impact on LifeHealthcare, including:

- a loss of customer trust in the relevant brand that may result in reduced revenues;
- the removal of that product from LifeHealthcare's sales while the issue is resolved which, if LifeHealthcare derives a material amount of revenue from that particular product, may adversely impact LifeHealthcare's future financial performance; and
- damage to LifeHealthcare's reputation.

(i) Damage to reputation

LifeHealthcare's reputation (or its relationships with clients, clinicians, staff and suppliers) may be adversely affected by a number of factors beyond the control of LifeHealthcare, such as a device failure or clinical misadventure. Such matters may adversely affect LifeHealthcare's reputation and customer relationships. The consequence of this may be reduced revenues or loss of customer trust in the relevant brands or products, which may adversely impact LifeHealthcare's future financial performance.

(j) Litigation risk

LifeHealthcare may be exposed to potential legal claims, disputes and litigation in the future, with respect to its operations, suppliers or customers in the ordinary course of business. There is a risk that any material or costly claim, dispute or litigation could adversely affect the reputation or financial performance of LifeHealthcare.

Taxation implications for Scheme Shareholders

7

7.1 SUMMARY

This Section 7 provides a general overview of the Australian income tax, GST, and stamp duty considerations for Scheme Shareholders who:

- (a) participate in the Scheme and dispose of their LifeHealthcare Shares to the Bidder;
- (b) are either:
 - (i) residents of Australia for Australian income tax purposes; or
 - (ii) non-residents of Australia for Australian income tax purposes and do not hold their LifeHealthcare Shares in carrying on business through a permanent establishment in Australia; and
- (c) hold their LifeHealthcare Shares on capital account for Australian income tax purposes.

The comments in this Section 7 are not applicable to all Scheme Shareholders and are not intended to cover Scheme Shareholders who:

- hold their LifeHealthcare Shares as a revenue asset (i.e. trading entities or entities who acquired their LifeHealthcare Shares for the purposes of resale at a profit) or as trading stock for Australian income tax purposes;
- acquired their LifeHealthcare Shares through, or in connection with, an employee share scheme where those shares remain subject to deferred taxation as at the Implementation Date;
- are under a legal disability;
- are temporary residents for the purposes of Australian income tax law;
- may be subject to special tax rules, such as insurance companies, partnerships, tax exempt organisations and entities subject to the Investment Manager Regime under Subdivision 842-1 of the *Income Tax Assessment Act 1997* (Cth) in respect of their LifeHealthcare Shares; or
- are subject to the taxation of financial arrangements rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) in relation to gains and losses on their LifeHealthcare Shares.

This summary is based on the Australian tax law, and PricewaterhouseCoopers' understanding of the practice of the tax authorities, at the date of this Scheme Booklet. The laws are complex and subject to change periodically, as is their interpretation by the courts and the tax authorities. This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. This summary does not take into account the tax law of countries other than Australia. The precise implications of ownership or disposal will depend upon each Scheme Shareholder's specific circumstances.

The comments in this Section 7 should not be a substitute for advice from an appropriate professional adviser having regard to each Scheme Shareholder's individual circumstances. All Scheme Shareholders are strongly advised to obtain their own professional advice on the tax implications based on their own specific circumstances.

The information contained in this Section 7 does not constitute "financial product advice" within the meaning of the Corporations Act.

The PricewaterhouseCoopers partnership which is providing this advice is not licensed to provide financial product advice under the Corporations Act. To the extent that this summary contains any information about a "financial product" within the meaning of the Corporations Act, taxation is only one of the matters that must be considered when making a decision about the relevant financial product.

This Section 7 does not take into account the objectives, financial situation or needs of any individual LifeHealthcare Shareholder. Accordingly, any recipient should, before acting on this material, consider taking advice from a person who is licensed to provide financial product advice under the Corporations Act. Any recipient should, before acting on this material, also consider the appropriateness of this material having regard to their objectives, financial situation and needs and consider obtaining independent financial advice.

7. Taxation implications for Scheme Shareholders continued

In preparing this Section 7, PricewaterhouseCoopers has relied on information obtained from documents provided to PricewaterhouseCoopers, and during various discussions with personnel from LifeHealthcare. PricewaterhouseCoopers has relied on the accuracy and completeness of the information provided and has not undertaken any procedures to validate or verify the completeness or accuracy of such information. Therefore, PricewaterhouseCoopers does not accept any responsibility or any liability arising from the inaccuracy or incompleteness of any information provided to it. PricewaterhouseCoopers' liability is limited by a scheme approved under professional standards legislation.

7.2 GENERAL INCOME TAX IMPLICATIONS OF THE SCHEME

(a) Dealings in LifeHealthcare Shares

(i) Class Ruling Applications

LifeHealthcare has requested the Australian Taxation Office (**ATO**) to issue a Class Ruling which seeks to confirm a range of matters relating to the income tax treatment of those Scheme Shareholders who receive the Special Dividend (if declared).

The ATO has not issued the Class Ruling requested as at the date of the Scheme Booklet.

The Class Ruling will be available on the ATO website at www.ato.gov.au.

It is anticipated that the Commissioner of Taxation's (**the Commissioner's**) views to be expressed in the Class Ruling will be generally consistent with the income tax information in this summary (to the extent that this summary deals with the position of resident taxpayers).

However, it is possible that the Commissioner may reach different conclusions. Accordingly, it is important that this summary be read on the understanding that the Commissioner will issue a final ruling after the Implementation Date.

(ii) Certain Income Tax consequences of the Scheme for Scheme Shareholders

Under the Scheme, Scheme Shareholders will dispose of their LifeHealthcare Shares to the Bidder in exchange for the Scheme Consideration.

Scheme Shareholders will also receive the Special Dividend in respect of each LifeHealthcare Share that they hold on the Special Dividend Record Date on or before the Implementation Date, if the Special Dividend is declared.

Non-resident Scheme Shareholders should refer to Section 7.2(a)(ix) below.

(iii) Capital Gains Tax Event

The disposal of LifeHealthcare Shares to the Bidder under the Scheme will give rise to a CGT event at the time Scheme Shareholders transfer their LifeHealthcare Shares to the Bidder under the Scheme (i.e. at the Implementation Date).

(iv) Calculation of Capital Gain or Loss

Scheme Shareholders will make a capital gain on the disposal of each of their LifeHealthcare Shares to the extent that the capital proceeds received in respect of the LifeHealthcare Share is more than its cost base. Conversely, Scheme Shareholders will make a capital loss to the extent that the capital proceeds in respect of each of their LifeHealthcare Shares is less than their reduced cost base for those LifeHealthcare Shares.

(v) Capital Proceeds

The capital proceeds from the disposal of the LifeHealthcare Shares should include the Scheme Consideration received by Scheme Shareholders.

If no Special Dividend is declared, the Scheme Shareholder will receive the Scheme Consideration of \$3.675 per LifeHealthcare Share for the transfer of their LifeHealthcare Shares to the Bidder. In this case, the capital proceeds should include the Scheme Consideration received of \$3.675 per LifeHealthcare Share.

The Special Dividend of \$0.18 per LifeHealthcare Share, if declared, should not form part of the capital proceeds for the disposal of the LifeHealthcare Shares. In this case, the capital proceeds should include the Scheme Consideration received of \$3.495 per LifeHealthcare Share.

The capital proceeds for the disposal of LifeHealthcare Shares should not include the amount of the Interim Dividend paid by LifeHealthcare prior to the implementation of the Scheme.

Nevertheless, the Commissioner may adopt a contrary view in regard to the Special Dividend (if any) and include the Special Dividend in capital proceeds. As at the date of this Scheme Booklet, the Commissioner has not made clear his position in relation to this issue.

If the Special Dividend forms part of the capital proceeds, Scheme Shareholders who would otherwise realise a capital loss on the disposal of their LifeHealthcare Shares would have their loss reduced by the amount of the Special Dividend. Scheme Shareholders who would otherwise realise a capital gain would reduce the gain by up to the amount of the Special Dividend in order to prevent any double taxation.

(vi) Cost Base and Reduced Cost Base

The cost base (or reduced cost base) of each LifeHealthcare Share held by a Scheme Shareholder will broadly be:

- the amount of money paid, or the value of property given, in order to acquire the LifeHealthcare Share; plus
- any ‘incidental costs’ as defined in the CGT rules; plus
- any non-capital costs not claimed as an income tax deduction; less
- any previous capital returns made by LifeHealthcare.

(vii) CGT Discount

As the Scheme Consideration is to be provided in cash only, no CGT roll-over is available, however, the CGT discount should be available to those Scheme Shareholders who are individuals, trusts or complying superannuation funds and have held their LifeHealthcare Shares for at least 12 months before the Implementation Date.

Broadly, the CGT discount rules enable Scheme Shareholders to reduce their capital gain (after the application of any current year or prior year capital losses) by 50% for individuals and trusts and 33 1/3% for complying superannuation funds. The CGT discount is not available to Scheme Shareholders that are companies or non-residents.

(viii) Capital losses

A capital loss on the disposal of LifeHealthcare Shares may be used to offset any other capital gains derived by a Scheme Shareholder for the relevant year of income (including any capital gain derived by a Scheme Shareholder on other LifeHealthcare Shares) or may be carried forward to offset capital gains in future income years.

Specific capital loss recoupment rules apply to companies to restrict their ability to utilise capital losses in future years in some circumstances. Scheme Shareholders should obtain their own tax advice in relation to the operation of these rules.

(ix) Non-residents

Scheme Shareholders who are not residents of Australia for income tax purposes and do not hold their LifeHealthcare Shares through a permanent establishment in Australia, should be able to disregard any capital gain or capital loss that would otherwise arise from the disposal of their LifeHealthcare Shares to the Bidder. This is on the basis of advice from LifeHealthcare that the LifeHealthcare Shares will not constitute ‘taxable Australian property’ at the Implementation Date.

7. Taxation implications for Scheme Shareholders continued

(x) Stamp duty

No stamp duty should be payable by Scheme Shareholders on the disposal of LifeHealthcare Shares under the Scheme.

(xi) GST

No GST will be payable by Scheme Shareholders in respect of the disposal of their LifeHealthcare Shares under the Scheme. Scheme Shareholders may however be charged GST on their costs (such as adviser fees) that relate to their participation in the Scheme.

Scheme Shareholders may be entitled to full or partial input tax credits for any GST payable on such costs, but this will depend on each Scheme Shareholder's individual circumstances. Scheme Shareholders should seek independent advice in this regard.

(b) Receipt of Special Dividend

(i) Overview

The Special Dividend will only be paid to LifeHealthcare Shareholders who are registered as such on both the Scheme Record Date and the Special Dividend Record Date if the Special Dividend is declared by the LifeHealthcare Board. LifeHealthcare is required to allocate the maximum possible amount of franking credits to the Special Dividend. Based on its current franking account balance, LifeHealthcare expects to "fully frank" the Special Dividend.

The Special Dividend, if declared, will be paid on or before the Implementation Date to Scheme Shareholders who hold LifeHealthcare Shares on the Special Dividend Record Date.

The Special Dividend, if declared, will reduce the Scheme Consideration of \$3.675 per LifeHealthcare Share that the Bidder must pay to Scheme Shareholders as consideration for the acquisition of their LifeHealthcare Shares by the amount of the Special Dividend of \$0.18 per LifeHealthcare Share, the resulting Scheme Consideration being reduced to \$3.495 per LifeHealthcare Share.

This summary does not consider the treatment of the Interim Dividend which will be paid prior to, and is entirely independent of, the Scheme.

(ii) Announced but unenacted change in law

In the Mid-Year Economic and Fiscal Outlook 2016-17, the Government announced that it would introduce a specific measure to prevent a company from attaching franking credits to distributions to shareholders made outside or additional to the company's normal dividend cycle, to the extent the distributions are funded directly or indirectly by capital raising activities that result in the issue of new equity interests.

This measure was stated to apply to distributions made after 12:00pm (AEDT) on 19 December 2016.

As the Government is yet to release draft legislation in relation to this measure, it is not possible to comment on whether it might apply to the Special Dividend and nor is LifeHealthcare able to request a ruling from the Commissioner on the potential for the new measure to apply to the Special Dividend.

The following comments should therefore be read in the knowledge that the legislation, once enacted, could apply to prevent franking credits from being attached to the Special Dividend.

(iii) Implications for resident Scheme Shareholders

Resident Scheme Shareholders who receive the Special Dividend should be assessable on the amount of the Special Dividend.

Such Scheme Shareholders should be required to include the amount of any franking credits attached to the Special Dividend in their assessable income and should be entitled to claim a tax offset equal to the amount of those franking credits (the 'gross up and offset' approach) in the calculation of their income tax liability. Resident Scheme Shareholders that are a complying superannuation fund or an individual may be entitled to a refund of any excess franking offsets that exceeds their income tax liability for the relevant year of income. Other Scheme Shareholders will simply reduce their income tax liability by the amount of the franking credit attached to the Special Dividend.

In order for this 'gross up and offset' approach to apply, a Scheme Shareholder would need to satisfy the '45 day/at risk' rules in connection with the Special Dividend.

Broadly speaking, the '45 day/at risk' rules require a Scheme Shareholder to hold their LifeHealthcare Shares 'at risk' for a continuous period of 45 days (not including the day of acquisition and day of disposal) during the period commencing on the day they acquired their LifeHealthcare Shares and ending on the day that they dispose of their LifeHealthcare Shares, i.e. the Implementation Date.

Scheme Shareholders will not be treated as holding their LifeHealthcare Shares 'at risk' in relation to any day on which they have 'positions' that reduce their exposure to gains and losses in respect of those shares below 30%. Any days on which Scheme Shareholders are not treated as holding their shares 'at risk' do not count towards the 45 day requirement, but do not break the continuity of the 'at risk' period.

Scheme Shareholders should not be treated as holding their LifeHealthcare Shares 'at risk' on and from the Scheme Record Date. To qualify for franking benefits, a Scheme Shareholder would at least need to hold their LifeHealthcare Shares 'at risk' for 45 days starting on the day after they acquired their LifeHealthcare Shares and ending on the day before the Scheme Record Date.

If there is a 'related payment' in relation to the Special Dividend, the period within which a Scheme Shareholder must hold their LifeHealthcare Shares 'at risk' is truncated so that it would start 45 days before the Ex-Dividend Date and end 45 days after the day after the Ex-Dividend Date (the Ex-Dividend Date being one day after the Special Dividend Record Date).

PricewaterhouseCoopers' view is that there is nothing in the terms of the Scheme which should result in a 'related payment' occurring in connection with the Special Dividend and so this stricter testing period should not apply. However, Scheme Shareholders should also consider whether they may have separately entered into any other arrangements that may result in a 'related payment', e.g. hedging transactions such as options.

Under the 'small shareholder exemption', a Scheme Shareholder who is an individual will not be required to satisfy the '45 day/at risk' rules where the total amount of franking credits attached to dividends received by that individual over the course of an income year is less than or equal to \$5,000 and they do not make a related payment in relation to any of those dividends.

Even if a Scheme Shareholder satisfies the '45 day/at risk' rules, there are separate anti-avoidance rules by which the Commissioner may prevent a Scheme Shareholder from utilising any franking credits attached to the Special Dividend. We do not expect the Commissioner to apply these anti-avoidance rules in relation to the franking credits attached to the Special Dividend.

7. Taxation implications for Scheme Shareholders continued

LifeHealthcare has lodged a Class Ruling application with ATO in which it has requested the Commissioner to confirm:

- that he will not use the franking anti-avoidance rules to deny any franking offsets that would otherwise be available to Scheme Shareholders;
- that no ‘related payment’ will occur in relation to the Special Dividend (such that the testing period for the ‘45 day/ at risk’ rules will be the longer test period described above); and
- that Scheme Shareholders will no longer hold their LifeHealthcare Shares ‘at risk’ on and from the Scheme Record Date.

However, as at the date of this Scheme Booklet, the Class Ruling has not been issued and so the final position of the Commissioner on these issues is unknown. It is possible that the Commissioner may take a contrary position to the views we have put forward in this Section 7. Special dividend franking rules apply to LifeHealthcare Shares held by trusts and companies. Scheme Shareholders who are trusts or companies should seek professional advice in relation to the taxation treatment of the Special Dividend.

(iv) Implications for non-resident LifeHealthcare Shareholders

Where the Special Dividend is fully franked (as expected), Scheme Shareholders who are not residents of Australia for income tax purposes and who are not acting through a permanent establishment in Australia in connection with their LifeHealthcare Shares should not be assessable on the Special Dividend and no amount of withholding tax should be deducted from the Special Dividend. The “gross up and offset” approach described above should not apply.

Additional information

8



LifeHealthcare
Celebrating 10 Years

8. Additional information continued

8.1 INTERESTS OF LIFEHEALTHCARE DIRECTORS IN LIFEHEALTHCARE SECURITIES

The table below lists the Relevant Interests of LifeHealthcare Directors in LifeHealthcare Shares as at the date of this Scheme Booklet.

LifeHealthcare Director	Position	Relevant Interest in LifeHealthcare Shares
Bill Best	Non-Executive Director and Chairman	200,000
John Hickey	Non-Executive Director	82,685
Heith Mackay-Cruise	Non-Executive Director	13,803
Matt Muscio	Executive Director and Chief Executive Officer	55,600

LifeHealthcare Directors who hold LifeHealthcare Shares will be entitled to vote at the Scheme Meeting and receive the Total Cash Payment along with the other Scheme Shareholders.

Each LifeHealthcare Director intends to vote, or cause to be voted, all LifeHealthcare Shares held or Controlled by them in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider the Scheme to be in the best interests of LifeHealthcare Shareholders.

The table below lists the Relevant Interests of LifeHealthcare Directors in LifeHealthcare Options and LifeHealthcare Performance Rights as at the date of this Scheme Booklet.

LifeHealthcare Director	Position	Relevant Interest in LifeHealthcare Options	Relevant Interest in LifeHealthcare Performance Rights
Bill Best	Non-Executive Director and Chairman	Nil	Nil
John Hickey	Non-Executive Director	Nil	Nil
Heith Mackay-Cruise	Non-Executive Director	Nil	Nil
Matt Muscio	Executive Director and Chief Executive Officer	1,001,007	Nil

See Section 3.6 for details regarding the treatment of LifeHealthcare Options and LifeHealthcare Performance Rights in connection with the Scheme.

8.2 MARKETABLE SECURITIES IN THE BIDDER HELD BY, OR ON BEHALF OF, LIFEHEALTHCARE DIRECTORS

No marketable securities of the Bidder are held by, or on behalf of, LifeHealthcare Directors as at the date of this Scheme Booklet.

8.3 INTERESTS OF LIFEHEALTHCARE DIRECTORS IN CONTRACTS OF THE BIDDER

No LifeHealthcare Director has an interest in any contract entered into by the Bidder.

8.4 OTHER INTERESTS OF LIFEHEALTHCARE DIRECTORS

No LifeHealthcare Director has any other interest, whether as a director, member or creditor of LifeHealthcare or otherwise, which is material to the Scheme, other than in their capacity as a holder of LifeHealthcare Shares, LifeHealthcare Options or LifeHealthcare Performance Rights.

Heith Mackay-Cruise, non-executive LifeHealthcare Director, is a shareholder and non-executive director of Global Academic Group Holdings Limited (**GAGH**), a portfolio company which is owned by the Fund. GAGH is a New Zealand-based private education company that operates schools and other educational services in New Zealand and Asia.

8.5 AGREEMENTS OR ARRANGEMENTS WITH LIFEHEALTHCARE DIRECTORS

As noted in Section 8.1 above, Matt Muscio, Executive Director and Chief Executive Officer, holds 1,001,007 LifeHealthcare Options that will be subject to the regime described in Section 3.6. Other than this, there is no agreement or arrangement made between any LifeHealthcare Director and any other person, including a Bidder Group Member, in connection with or conditional upon the outcome of the Scheme.

8.6 PAYMENTS AND OTHER BENEFITS TO DIRECTORS, SECRETARIES OR EXECUTIVE OFFICERS OF LIFEHEALTHCARE

No payment or other benefit is proposed to be made or given to a director, secretary or executive officer of LifeHealthcare or any member of the LifeHealthcare Group as compensation for loss of, or as consideration for or in connection with their retirement from, office in LifeHealthcare or any member of LifeHealthcare Group as a result of the Scheme.

8.7 SUSPENSION OF TRADING OF LIFEHEALTHCARE SHARES

If the Court approves the Scheme, LifeHealthcare will notify ASX. It is expected that suspension of trading on the ASX in LifeHealthcare Shares will occur at the close of business on the Effective Date. This is expected to occur on Friday, 11 May 2018.

8.8 WARRANTY BY SCHEME SHAREHOLDERS ABOUT THEIR LIFEHEALTHCARE SHARES

The effect of clause 8.2 of the Scheme is that all Scheme Shareholders, including those who vote against the Scheme and those who do not vote, will be deemed to have warranted to the Bidder and LifeHealthcare that their LifeHealthcare Shares are fully paid and not subject to any of the encumbrances specified in that clause, and that they have full power and capacity to transfer their LifeHealthcare Shares to the Bidder together with any rights attaching to those LifeHealthcare Shares. Clause 8.2 of the Scheme is set out in Attachment C to this Scheme Booklet.

8.9 ASIC RELIEF

Regulation 5.1.01 of the Corporations Regulations requires that, unless ASIC allows otherwise, the Scheme Booklet must contain all of the matters set out in Part 3 of Schedule 8 to the Corporations Regulations. As some of these requirements are not applicable or appropriate in respect of the Scheme, ASIC has allowed the following variations in this Scheme Booklet.

Clause 8302(h) of Part 3 of Schedule 8 of the Corporations Regulations requires the Scheme Booklet to disclose the extent to which the financial position of LifeHealthcare has materially changed since the date of the last balance sheet laid before LifeHealthcare's general meeting, being its financial statements for the financial year ended 30 June 2017.

ASIC has granted LifeHealthcare relief from this requirement so that this Scheme Booklet only needs to set out whether, within the knowledge of the LifeHealthcare Directors, the financial position of LifeHealthcare has materially changed between 31 December 2017 (being the date of the latest financial statements for LifeHealthcare in the half-yearly accounts lodged with the ASX) and the date of this Scheme Booklet, on the basis that:

- (a) LifeHealthcare has complied with Division 2 of Part 2M.3 of the Act in respect of the half-year ended 31 December 2017;
- (b) LifeHealthcare discloses all material changes to its financial position occurring after the half-year ended 31 December 2017 and prior to the date of this Scheme Booklet, in the Scheme Booklet;
- (c) LifeHealthcare discloses in announcements to the market operated by ASX any material changes to its financial position that occur after the date lodgement of the Scheme Booklet for registration with ASIC but prior to the Scheme being approved by the Court;
- (d) the Scheme Booklet states that LifeHealthcare will give a copy of the financial reports for the financial year ended 30 June 2017 and half-year ended 31 December 2017 free of charge to anyone who requests a copy before the Scheme to which the Scheme Booklet relates is approved by order of the Court; and
- (e) the Scheme Booklet sent to Scheme Shareholders is substantially in the form given to ASIC on 23 March 2018.

8. Additional information continued

8.10 CONSENTS

- (a) The following parties have given, and have not withdrawn before the date of this Scheme Booklet, their consent to be named in this Scheme Booklet in the form and context in which they are named:
- (i) UBS as financial adviser to LifeHealthcare;
 - (ii) Computershare as the manager of the Registry;
 - (iii) PricewaterhouseCoopers as tax adviser to LifeHealthcare in relation to the Scheme; and
 - (iv) Gilbert + Tobin as legal adviser to LifeHealthcare in relation to the Scheme.
- (b) The Independent Expert has given and has not withdrawn its consent to be named in this Scheme Booklet and to the inclusion of the Independent Expert's Report in Attachment E to this Scheme Booklet and to the references to the Independent Expert's Report in this Scheme Booklet being made in the form and context in which each such reference is included.
- (c) The Fund, each member of the Bidder Group and Pacific Equity Partners Pty Ltd have given, and have not withdrawn their consent to be named in this Scheme Booklet and in relation to the inclusion of the Bidder Group Information in this Scheme Booklet in the form and context in which that information is included.
- (d) Each person named in this Section 8.10:
- (i) has not authorised or caused the issue of this Scheme Booklet;
 - (ii) does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based, other than as specified in this Section 8.10; and
 - (iii) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Scheme Booklet, other than a reference to its name and the statement (if any) included in this Scheme Booklet with the consent of that party as specified in this Section 8.10.

8.11 DOCUMENTS AVAILABLE

An electronic version of this Scheme Booklet, including the Independent Expert's Report and the Scheme Implementation Deed, are available for viewing and downloading online at LifeHealthcare's website at www.lifehealthcare.com.au/investors.

8.12 CONTINUOUS DISCLOSURE

LifeHealthcare is subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. LifeHealthcare has an obligation (subject to limited exceptions) to notify ASX immediately upon becoming aware of any information which a reasonable person would expect to have a material effect on the price or value of LifeHealthcare Shares. Copies of documents filed with ASX may be obtained from ASX's website www.asx.com.au.

In addition, LifeHealthcare is also required to lodge various documents with ASIC. Copies of documents lodged with ASIC in relation to LifeHealthcare may be obtained from, or inspected at, an ASIC office.

8.13 SUPPLEMENTARY INFORMATION

If LifeHealthcare becomes aware of any of the following between the date of lodgement of this Scheme Booklet for registration with ASIC and the Court Approval Date:

- a material statement in this Scheme Booklet is false or misleading;
- a material omission from this Scheme Booklet;
- a significant change affecting a matter in this Scheme Booklet; or
- a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if known about at the date of lodgement with ASIC,

depending on the nature and timing of the changed circumstances, and subject to obtaining any relevant approvals, LifeHealthcare may circulate and publish any supplementary document by:

- making an announcement to ASX;
- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- posting the supplementary document to LifeHealthcare Shareholders at their registered address as shown in the Register; or
- posting a statement on LifeHealthcare's website at www.lifehealthcare.com.au

as LifeHealthcare in its absolute discretion considers appropriate.

8.14 OTHER

(a) Registration of Scheme Booklet with ASIC

This Scheme Booklet was registered with ASIC on 29 March 2018 in accordance with section 412(6) of the Corporations Act.

(b) Other material information

Other than as contained or referred to in this Scheme Booklet, including the Independent Expert's Report and the information that is contained in the Attachments to this Scheme Booklet, there is no other information that is material to the making of a decision by a LifeHealthcare Shareholder whether or not to vote in favour of the Scheme Resolution to approve the Scheme, being information that is known to any LifeHealthcare Director and which has not previously been disclosed to LifeHealthcare Shareholders.

Glossary

9



In this Scheme Booklet unless the context otherwise requires:

Term	Meaning
\$	means Australian dollars unless otherwise stated.
ASIC	means the Australian Securities and Investments Commission.
Associate	has the meaning given in Division 2 of Part 1.2 of the Corporations Act as if section 12(1) of that Act included a reference to this Scheme Booklet and LifeHealthcare was the designated body.
ASX	means ASX Limited (ACN 008 624 691) or, as the context requires, the financial market operated by it.
ASX Listing Rules	means the official listing rules, from time to time, of ASX.
Bidder	means Pacific Health Supplies BidCo Pty Limited (ACN 624 033 889), an entity owned by funds managed or advised by Pacific Equity Partners.
Bidder Group	has the meaning given in Section 5.2(a) and Bidder Group Member means any of the entities in the Bidder Group.
Bidder Group Information	means the information contained in Section 5, and under the headings “Who is the Bidder and the Bidder Group” on page 12, and “How is the Bidder Group and/or the Bidder funding the Scheme Consideration?” on page 16, of this Scheme Booklet.
Break Fee	has the meaning given in Section 3.10.
Business Day	means a week day on which trading banks in Sydney are open for trading and the ASX is open for trading.
CHESS	means the Clearing House Electronic Subregister System, which provides for electronic share transfers in Australia.
Competing Proposal	<p>means any proposal, offer, agreement, arrangement or transaction (including by way of takeover bid or scheme of arrangement) which, if entered into or completed substantially in accordance with its terms, would result in a third party (either alone or together with one or more associates), directly or indirectly:</p> <p>(a) acquiring an interest (including any economic interest by way of an equity swap, contract for difference or similar transaction or arrangement) or a Relevant Interest in more than 20% of LifeHealthcare Shares (other than as a custodian, nominee or bare trustee);</p> <p>(b) acquiring or becoming the holder of all or a substantial part of the business or assets of the LifeHealthcare Group; or</p> <p>(c) acquiring Control of or merging with LifeHealthcare or any other material LifeHealthcare Group Member, whether by takeover bid, scheme of arrangement, shareholder approved acquisition, capital reduction, share buy-back or repurchase, sale or purchase of assets or interests therein, joint venture, reverse takeover bid, dual-listed company structure, recapitalisation, establishment of a new holding company for the LifeHealthcare Group or other synthetic merger, or any other means.</p>

9. Glossary continued

Term	Meaning
Computershare	means Computershare Investor Services Pty Limited (ABN 078 279 277).
Control	has the meaning given in section 50AA of the Corporations Act and Controlled has a corresponding meaning.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth), as amended from time to time.
Corporations Regulations	means the <i>Corporations Regulations 2001</i> (Cth), as amended from time to time.
Court	means the Federal Court of Australia or such other court of competent jurisdiction under the Corporations Act agreed to in writing by LifeHealthcare and the Bidder.
Court Approval Date	means the date when the Court grants its approval to the Scheme under section 411(4) of the Corporations Act.
Debt Facilities	has the meaning given in Section 5.4(b).
December 2017 Management Accounts	has the meaning given to it in the Scheme Implementation Deed.
Deed Poll	means the deed poll executed by the Bidder in favour of Scheme Shareholders, a copy of which is at Attachment D to this Scheme Booklet.
Delivery Time	means, in relation to the Second Court Date, 2 hours before the commencement of the hearing or if the commencement of the hearing is adjourned, the commencement of the adjourned hearing, of the court to approve the Scheme in accordance with section 411(4)(b) of the Corporations Act is due to commence.
EBITDA	means earnings before interest, tax, depreciation and amortisation.
Effective	means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this Scheme.
Effective Date	means the date on which the Scheme becomes Effective.
Equity Commitment Letter	has the meaning given to that term in Section 5.4(b).
Equity Funding	has the meaning given in Section 5.4(b).
Exclusivity Period	has the meaning given in Section 3.9(a).
Fiduciary Exception	has the meaning given in Section 3.9(b)
FIRB	means the Foreign Investment Review Board.
FY2016	means the financial year ended 30 June 2016.

Term	Meaning
FY2017	means the financial year ended 30 June 2017.
Fund	has the meaning given in Section 5.2(b).
Government Agency	means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal, statutory or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any state, or any other federal, state, provincial, local or other government, whether foreign or Australian. It also includes any self-regulatory organisation established under statute or otherwise discharging substantially public or regulatory functions (including ASIC and the Takeovers Panel).
GST	means a good and services tax or similar value added tax levied or imposed under GST Law.
GST Law	has the meaning given to it in the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
H1 FY2018	means the financial half year ended 31 December 2017.
Headcount Test	has the meaning given in Section 3.2.
HoldCo	means Pacific Health Supplies Holdco Pty Limited (ACN 624 033 450).
Implementation Date	means Friday, 25 May 2018, or such other date as LifeHealthcare and the Bidder may agree in writing.
Independent Expert	means the expert appointed by LifeHealthcare, being KPMG Financial Advisory Services (Australia) Pty Ltd (ACN 007 363 215) (of which KPMG Corporate Finance is a division).
Independent Expert's Report	means the report prepared by the Independent Expert, a copy of which is set out in Attachment E to this Scheme Booklet.
Interim Dividend	means a fully franked cash dividend of \$0.075 for each LifeHealthcare Share held by a LifeHealthcare Shareholder on the Interim Dividend Record Date (payable by LifeHealthcare).
Interim Dividend RecordDate	means the record date for determining entitlements to the Interim Dividend, being 6 March 2018.
Interim Report	means LifeHealthcare's financial report for the financial half year ended 31 December 2017.
Last Practicable Trading Date	means 21 March 2018, being the last practicable trading date before the date of this Scheme Booklet.
LifeHealthcare	means LifeHealthcare Group Limited (ACN 166 525 186).
LifeHealthcare Board	means the board of directors of LifeHealthcare.
LifeHealthcare Director or your Director	means a director of LifeHealthcare as at the date of this Scheme Booklet.

9. Glossary continued

Term	Meaning
LifeHealthcare Group	means LifeHealthcare and each of its Related Bodies Corporate, and LifeHealthcare Group Member means any of those entities.
LifeHealthcare Options	means an option to be issued a LifeHealthcare Share issued under the LTIP.
LifeHealthcare Performance Rights	means a performance right over a LifeHealthcare Share issued under the LTIP.
LifeHealthcare Share	means a fully paid ordinary share issued in the capital of LifeHealthcare.
LifeHealthcare Shareholders	means each person who is registered on the Register of LifeHealthcare as the holder of LifeHealthcare Shares.
LTIP	means the “LifeHealthcare Group Limited Long Term Incentive Plan” operated by LifeHealthcare.
Material Adverse Change	<p>means a change, event, circumstance, occurrence or matter that occurs, is announced, is disclosed or otherwise becomes known to the Bidder or the LifeHealthcare Board (whether it becomes public or not) which (whether individually or when aggregated with all such changes, events, circumstances, occurrences or matters) has had or is reasonably likely to have:</p> <p>(a) the effect of a diminution in the consolidated EBITDA of the LifeHealthcare Group, taken as a whole, by at least \$3 million (on an annualised basis) for the financial years ending 30 June 2018 or 30 June 2019 for the LifeHealthcare Group against what it would reasonably be expected to have been (without taking into account any forecast increase in earnings derived from sources other than the LifeHealthcare Group’s current sources of earnings), but for that change, event, circumstance, occurrence or matter; or</p> <p>(b) an increase in the consolidated Net Indebtedness of the LifeHealthcare Group by at least \$5 million or more compared to the amounts provided for in the December 2017 Management Accounts,</p> <p>provided that any events which have occurred after the date of the Scheme Implementation Deed but prior to Delivery Time and which have a positive effect on the consolidated EBITDA of the LifeHealthcare Group are taken into account in calculating whether the threshold in paragraph (a) above has been reached, and in each case, other than certain changes, events, occurrences or matters listed in the Scheme Implementation Deed, but excluding any change, event, circumstance, occurrence or matter which has a disproportionate effect on the LifeHealthcare Group, taken as a whole, as compared to other participants in the industries in which the LifeHealthcare Group operates.</p>
MezzCo	means Pacific Health Supplies MezzCo Pty Limited (ACN 624 032 908).
Net Indebtedness	has the meaning given to it in the Scheme Implementation Deed.
Notifiable Proposal	has the meaning given in Section 3.9(d).

Term	Meaning
Pacific Equity Partners	means, as the context requires, Pacific Equity Partners Pty Limited (ACN 082 283 949) and/or its affiliates.
PEP Shareholders	has the meaning given in Section 5.2(b).
Prescribed Occurrence	means “Prescribed Occurrence”, as that term is defined in the Scheme Implementation Deed, and covers a range of events, including where any LifeHealthcare Group Member: <ul style="list-style-type: none"> (a) acquires or disposes of any business or assets of any business or entity (whether by way of a single transaction or series of related transactions) the value of which exceeds \$3 million (individually or in aggregate); (b) incurs or enters into any new commitments involving the purchase of plant and equipment or other capital expenditure of more than \$3 million (individually or in aggregate); or (c) enters into a new contract or materially varies or terminates any existing contract that generates, or is expected to generate, or enters into or materially varies any supply agreement under which the LifeHealthcare Group generates, or is expected to generate, in each case, \$2 million (individually or in aggregate) or more in gross annual revenue or expenditure.
PricewaterhouseCoopers	means PricewaterhouseCoopers (ABN 52 780 433 757).
Register	means the register of LifeHealthcare Shareholders kept by LifeHealthcare and Registry means the manager from time to time of the Register (currently Computershare).
Related Body Corporate	has the meaning given in section 50 of the Corporations Act.
Relevant Interest	has the meaning in sections 608 and 609 of the Corporations Act.
Requisite Majorities	means the threshold for approval of the Scheme Resolution set out in Section, being votes in favour of the resolution received from: <ul style="list-style-type: none"> (a) a majority in number (more than 50%) of LifeHealthcare Shareholders present and voting at the Scheme Meeting (whether in person, by proxy, by attorney or, in the case of corporate LifeHealthcare Shareholders, by a corporate representative); and (b) at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting.
Scheme	means a members’ scheme of arrangement pursuant to Part 5.1 of the Corporations Act between LifeHealthcare and Scheme Shareholders, on the terms described in Attachment C to this Scheme Booklet, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act.
Scheme Booklet	means this scheme booklet in relation to the Scheme.
Scheme Consideration	means, in respect of each LifeHealthcare Share held by a Scheme Shareholder on the Scheme Record Date: <ul style="list-style-type: none"> (a) if the Special Dividend is declared, \$3.495 cash; or (b) if the Special Dividend is not declared, \$3.675 cash.

9. Glossary continued

Term	Meaning
Scheme Implementation Deed	means the Scheme Implementation Deed dated 5 February 2018 between LifeHealthcare and the Bidder, a copy of which is at Attachment B to this Scheme Booklet.
Scheme Meeting	means the meeting of LifeHealthcare Shareholders ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act in relation to the Scheme, and includes any adjournment of that meeting.
Scheme Record Date	means 7:00pm (Sydney time) on Monday, 21 May 2018, or such other date as LifeHealthcare and the Bidder agree.
Scheme Resolution	means a resolution of LifeHealthcare Shareholders to approve the Scheme, the form of which is set out in the Notice of Scheme Meeting in Attachment A to this Scheme Booklet.
Scheme Shareholder	means a holder of LifeHealthcare Shares on the Scheme Record Date.
Scheme Warranties	means the representations and warranties given by LifeHealthcare which are set out in Schedule 4 of the Scheme Implementation Deed.
Second Court Date	means the first day on which an application made to the Court for an order under section 411(4) (b) of the Corporations Act approving the Scheme is heard (or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard), with such hearing being the Second Court Hearing .
Special Dividend	means a fully franked cash dividend of \$0.18 for each LifeHealthcare Share (that may be declared in the LifeHealthcare Board's absolute discretion) held by a LifeHealthcare Shareholder on the Special Dividend Record Date (payable by LifeHealthcare).
Special Dividend Record Date	means 7:00pm (Sydney time) on Wednesday, 16 May 2018, or such other date as notified by LifeHealthcare to ASX.
Superior Proposal	<p>means a bona fide, written Competing Proposal received after the date of this deed which in the determination of the LifeHealthcare Board acting in good faith in order to satisfy what the LifeHealthcare Board considers to be its fiduciary or statutory duties (after having obtained written advice from their legal and financial advisers):</p> <p>(a) is capable of being valued and completed in accordance with its terms, taking into account all financial, regulatory and other aspects of the proposal, including the ability of the proposing party to consummate the transactions contemplated by the Competing Proposal; and</p> <p>(b) would, if completed substantially in accordance with its terms, be reasonably likely to result in a transaction more favourable to LifeHealthcare Shareholders as a whole than the Scheme, taking into account all of the terms and conditions of the Competing Proposal, including consideration, conditionality, funding, certainty and timing.</p>

Term	Meaning
Takeovers Panel	means the Takeovers Panel constituted under the <i>Australian Securities and Investments Commission Act 2001</i> (Cth).
TopCo	means Pacific Health Supplies TopCo Pty Limited (ACN 624 032 051).
TopCo1	means Pacific Health Supplies TopCo1 Pty Limited (ACN 624 030 897).
Total Cash Payment	means the total cash payment of \$3.675 per LifeHealthcare Share if the Scheme becomes Effective (comprising a proposed Special Dividend of \$0.18 cash per LifeHealthcare Share and Scheme Consideration of \$3.495 cash per LifeHealthcare Share, with the Scheme Consideration being \$3.675 cash per LifeHealthcare Share if the Special Dividend is not declared).
UBS	means UBS AG, Australia Branch.
VWAP	means volume weighted average price.

Notice of Scheme Meeting

Attachment A



LIFEHEALTHCARE GROUP LIMITED (ACN 166 525 186)

Notice is hereby given that by an order of the Federal Court of Australia (**Court**) made on Thursday, 29 March 2018 pursuant to section 411(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**) a meeting of the holders of ordinary shares in LifeHealthcare Group Limited (ACN 166 525 186) (**LifeHealthcare**) will be held at 10:00am (Sydney time) on Thursday, 3 May 2018 at Computershare, Level 4, 60 Carrington Street, Sydney NSW 2000.

The Court has directed that William Best act as Chairperson of the meeting or failing him, Heith Mackay-Cruise, and has directed the Chairperson to report the result of the meeting to the Court if the resolution is approved.

BUSINESS OF THE MEETING – SCHEME RESOLUTION

To consider, and if thought fit, to pass the following resolution in accordance with section 411(4)(a)(ii) of the Corporations Act:

“That, pursuant to and in accordance with section 411 of the Corporations Act, the Scheme, the terms of which are contained in and more particularly described in the Scheme Booklet (of which this Notice of Scheme Meeting forms part) is approved (with or without modification as approved by the Court).”

By Order of the Court



Dean Taylor

Company Secretary

29 March 2018

EXPLANATORY NOTES

To enable you to make an informed decision on the Scheme Resolution, further information on the Scheme is set out in the Scheme Booklet, of which this Notice of Scheme Meeting forms part. Terms used in this Notice of Scheme Meeting have the same meaning as set out in the Glossary in Section 9 of the Scheme Booklet.

These notes should be read in conjunction with the Notice of Scheme Meeting.

Requisite Majorities

In accordance with section 411(4)(a)(ii) of the Corporations Act, the Scheme Resolution must be approved by:

- a majority in number of the holders of LifeHealthcare Shares present and voting (either in person, by proxy or attorney or in the case of a corporate holder, by duly appointed corporate representative) at the Scheme Meeting; and
- at least 75% of the votes cast on the Scheme Resolution.

Entitlement to vote

The Court has ordered that, for the purposes of the Scheme Meeting, LifeHealthcare Shares will be taken to be held by the persons who are registered as members of LifeHealthcare as of 7:00pm (Sydney time) on Tuesday, 1 May 2018. Accordingly, transfers registered after this time will be disregarded in determining entitlements to vote at the Scheme Meeting.

Voting at the meeting

You may vote in person at the Scheme Meeting, or appoint a proxy, attorney or, if you are a body corporate, a duly appointed corporate representative to attend and vote for on your behalf.

If LifeHealthcare Shares are jointly held, either one of the joint shareholders is entitled to vote. If more than one joint shareholder votes in respect of jointly held shares, only the vote of the shareholder whose name appears first in the Register will be counted.

Voting will be conducted by poll.

Attachment A. Notice of Scheme Meeting continued

(a) Voting in person

To vote in person, attend the Scheme Meeting on the date and at the place set out in the Notice of Scheme Meeting.

(b) Voting by proxy

A LifeHealthcare Shareholder entitled to attend and vote at the Scheme Meeting is also entitled to vote by proxy. The proxy form is enclosed with the Scheme Booklet. You may appoint not more than two proxies to attend and act for you at the Scheme Meeting. A proxy need not be a holder of LifeHealthcare Shares. If 2 proxies are appointed, each proxy may be appointed to represent a specified number or proportion of your votes. If no such number or proportion is specified, each proxy may exercise half your votes.

If you do not instruct your proxy on how to vote, your proxy may vote as he or she sees fit at the Scheme Meeting.

Please refer to the enclosed proxy form for instructions on completion and lodgement. Proxy forms must be received at the Registry, or lodged online at www.investorvote.com.au, by no later than 10:00am (Sydney time) on Tuesday, 1 May 2018 (or if the Scheme Meeting is adjourned, at least 48 hours before the resumption of the Scheme Meeting in relation to the resumed part of the Scheme Meeting).

(c) Voting by attorney

Powers of attorney must be received by the Registry by no later than 10:00am (Sydney time) on Tuesday, 1 May 2018 (or if the Scheme Meeting is adjourned, at least 48 hours before the resumption of the Scheme Meeting in relation to the resumed part of the Scheme Meeting).

An attorney will be admitted to the Scheme Meeting and given a voting card upon providing at the point of entry to the Scheme Meeting written evidence of their appointment, of their name and address and the identity of their appointer.

The sending of a power of attorney will not preclude a LifeHealthcare Shareholder from attending in person and voting at the Scheme Meeting if the LifeHealthcare Shareholder is entitled to attend and vote.

(d) Voting by corporate representative (in the case of a body corporate)

To vote at the Scheme Meeting (other than by proxy or attorney), a body corporate that is a LifeHealthcare Shareholder must appoint a person to act as its representative. The appointment must comply with section 250D of the *Corporations Act 2001* (Cth).

The representative must bring to the Scheme Meeting evidence of his or her appointment including any authority under which it is signed.

Lodgement of proxies and queries

Completed proxy forms, powers of attorney and authorities should be sent to LifeHealthcare:

- by posting them in the reply paid envelope provided;
- by posting them to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne VIC 3001, Australia;
- by faxing them to Computershare Investor Services Pty Limited on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia); or
- by submitting them online at www.investorvote.com.au. To use the online voting facility, LifeHealthcare Shareholders will need their Securityholder Reference Number (**SRN**) or Holder Identification Number (**HIN**) and Control Number as shown on the front of the proxy form.

Holders of LifeHealthcare Shares should contact the Registry on 1300 171 780 (within Australia) or +61 3 9415 4370 (outside Australia) Monday to Friday between 9:00am and 5:00pm (Sydney time) with any queries regarding the number of LifeHealthcare Shares held, how to vote and lodgement of proxy forms.

Court approval

If the Scheme Resolution is approved at the Scheme Meeting by the Requisite Majorities, the implementation of the Scheme (with or without modification) will be subject, among other things, to the subsequent approval of the Court.

Scheme Implementation Deed

Attachment B

Attachment B. Scheme Implementation Deed continued



Scheme Implementation Deed

Pacific Health Supplies BidCo Pty Limited

LifeHealthcare Group Limited

SYDNEY | MELBOURNE | PERTH

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Attachment B. Scheme Implementation Deed continued

Date: 5 February 2018

Parties

- 1 **Pacific Health Supplies BidCo Pty Limited** ACN 624 033 889 of Level 31, 126-130 Phillip Street, Sydney New South Wales 2000, Australia (**Bidder**)
 - 2 **LifeHealthcare Group Limited** ACN 166 525 186 of Level 8, 15 Talavera Road, North Ryde, New South Wales 2113, Australia (**Target**)
-

Background

- A Target has agreed to propose a members' scheme of arrangement pursuant to which Bidder will acquire all the Scheme Shares, and Target and Bidder have agreed to implement the Scheme on the terms and conditions of this deed.
- B Bidder has agreed to assist Target in proposing the Scheme.

The parties agree

1 Defined terms and interpretation

1.1 Defined terms

A term or expression which is defined in the dictionary in Schedule 1 has the meaning given to it in the dictionary.

1.2 Interpretation

The interpretation clause in Schedule 1 sets out rules of interpretation for this deed.

2 Agreement to proceed with Transaction

- (a) Target agrees to propose the Scheme on and subject to the terms of this deed.
 - (b) Bidder agrees to assist Target in proposing the Scheme on and subject to the terms of this deed.
-

3 Conditions precedent

3.1 Conditions precedent

Subject to this clause 3, the Scheme will not become Effective, and the respective obligations of the parties in relation to the implementation of the Scheme will not be binding, until and unless the following Conditions Precedent are satisfied or waived in accordance with clause 3.4:

- (a) **(FIRB)** before the Delivery Time, either:
 - (i) Bidder has received a written notice under FATA from the Treasurer (or his delegate) stating that, or to the effect that, the Commonwealth Government does not object to the acquisition of all the Scheme Shares by Bidder under the Transaction, either without condition or on terms that are acceptable to Bidder (acting reasonably); or

- (ii) following notice of the proposed acquisition of all the Scheme Shares by Bidder under the Transaction having been given by Bidder to the Treasurer under FATA, the Treasurer ceases to be empowered to make any order under Part 3 of FATA.
- (b) **(Court approval)** the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act.
- (c) **(Target Shareholder approval)** Target Shareholders approve the Scheme at the Scheme Meeting by the requisite majorities under section 411(4)(a) of the Corporations Act except to the extent the Court orders otherwise under section 411(4)(a)(ii)(A) of the Corporations Act.
- (d) **(Restraints)** before and as at the Delivery Time:
 - (i) there is not in effect any temporary restraining order, preliminary or permanent injunction or other preliminary or final decision, order or decree issued by any court of competent jurisdiction or by any Government Agency, nor is there in effect any other legal restraint or prohibition; and
 - (ii) no action or investigation is announced or commenced by any Government Agency,

which restrains, prohibits, impedes or otherwise materially adversely impacts upon (or could reasonably be expected to restrain, prohibit or otherwise materially adversely impede or impact upon) the completion of the Transaction.
- (e) **(Prescribed Occurrence)** no Prescribed Occurrence occurs between the date of this deed and the Delivery Time.
- (f) **(no Material Adverse Change)** no Material Adverse Change occurs between the date of this deed and Delivery Time.
- (g) **(No change of Target Board recommendation)** between and including the date of this deed and the date of the Scheme Meeting, none of the Target Directors change, qualify or withdraw their Voting Intention or their Recommendations as provided by clause 7.
- (h) **(Target Scheme Warranties)** the Target Scheme Warranties being true and correct in all material respects at the relevant times set out in clause 10.9.
- (i) **(Bidder Warranties)** the Bidder Warranties being true and correct in all material respects at the relevant times set out in clause 10.9.

3.2 FIRB condition

Each of Bidder and Target acknowledges and agrees that the Standard Tax Conditions issued by FIRB from time to time are reasonable and acceptable to it if they are included in any “no objections” notification contemplated by clause 3.1(a)(i) that is received in connection with the Transaction.

3.3 Reasonable endeavours

- (a) Bidder must use its reasonable endeavours to satisfy, or procure that the Conditions Precedent in clauses 3.1(a) and 3.1(i) are satisfied, as soon as possible after the date of this deed.

Attachment B. Scheme Implementation Deed continued

- (b) Target must use its reasonable endeavours to satisfy, or procure that the Conditions Precedent in clauses 3.1(e), 3.1(f), 3.1(g) and 3.1(h) are satisfied as soon as possible after the date of this deed.
- (c) The parties must each use reasonable endeavours to procure that:
 - (i) the Conditions Precedent in clauses 3.1(b), 3.1(c) and 3.1(d) are satisfied; and
 - (ii) there is no occurrence or non-occurrence within their control or the control of any of their related bodies corporate that prevents, or would be reasonably likely to prevent, the satisfaction of any Condition Precedent.
- (d) No party will take any action that will or is likely to hinder or prevent the satisfaction of any Condition Precedent, except to the extent such action is required to be taken or procured pursuant to, or is otherwise permitted by, this deed or the Scheme, or is required by law.
- (e) Without limiting clause 3.3(c) but subject to clause 3.3(f), each party must:
 - (i) keep the other party informed of the progress towards satisfaction of the Conditions Precedent; and
 - (ii) except to the extent prohibited by a Government Agency:
 - (A) promptly notify the other party of all communications between it and a Government Agency in connection with any approval or consent required pursuant to a Condition Precedent in clause 3.1 or any action taken or proposed by, or any enquiries made by, a Government Agency in relation to the Transaction (**Regulatory Matter**);
 - (B) promptly provide the other party with copies of all communications referred to in clause 3.3(e)(ii)(A) (where written);
 - (C) before sending any submission or correspondence to a Government Agency relating to any Regulatory Matter, consult with the other party in relation to, and provide the other party with a draft copy of, such submission or correspondence; and
 - (D) respond to reasonable requests for information that relate to any Regulatory Matter, whether made by the other party, a Government Agency or any other person, at the earliest practicable time.
- (f) Before providing any document or other information to the other party (in this clause 3.3(f), the **Recipient**) pursuant to clause 3.3(d), a party (in this clause 3.3(f), the **Discloser**) may redact any part of that document, or not disclose any part of that information, which contains or is confidential, non-public information (**Sensitive Confidential Information**) if the Discloser reasonably believes that:
 - (i) the Sensitive Confidential Information is of a commercially sensitive nature; or
 - (ii) the disclosure of the Sensitive Confidential Information to the Recipient would be damaging to the commercial or legal interests of the Discloser or any of its related bodies corporate,

and may provide the document or disclose the information to the Recipient with any Sensitive Confidential Information redacted or excluded, provided that, where Sensitive Confidential Information is so redacted or excluded, the Discloser must provide the Recipient with as much detail about the relevant communication, submission or correspondence (and any other relevant circumstances) as is reasonably possible without disclosing Sensitive Confidential Information.

3.4 Waiver of Conditions Precedent

- (a) The Conditions Precedent in clauses 3.1(a), 3.1(b) and 3.1(c) cannot be waived.
- (b) The Condition Precedent in clause 3.1(d) is for the benefit of Bidder and Target and any breach or non-fulfilment of that Condition Precedent may only be waived with the written consent of both Bidder and Target (in each party's absolute discretion).
- (c) The Conditions Precedent in clauses 3.1(e), 3.1(f), 3.1(g) and 3.1(h) are for the sole benefit of Bidder and any breach or non-fulfilment of those Conditions Precedent may only be waived with the written consent of Bidder.
- (d) The Condition Precedent in clause 3.1(i) is for the sole benefit of Target and any breach or non-fulfilment of that Condition Precedent may only be waived with the written consent of Target.
- (e) If a party waives the breach or non-fulfilment of a Condition Precedent, such waiver will not prevent that party from suing the other party for any breach of this deed that resulted in the breach or non-fulfilment of the Condition Precedent.
- (f) Waiver of breach or non-fulfilment of a Condition Precedent does not constitute:
 - (i) a waiver of breach or non-fulfilment of any other Condition Precedent resulting from the same event; or
 - (ii) a waiver of breach or non-fulfilment of that Condition Precedent resulting from any other event.
- (g) A party entitled to waive a Condition Precedent under this clause 3.4 may do so in its absolute discretion. Any waiver of a Condition Precedent by a party for whose benefit the Condition Precedent applies must take place on or prior to Delivery Time.

3.5 Termination on failure of Condition Precedent

- (a) If:
 - (i) there is a breach or non-fulfilment of a Condition Precedent before the End Date and:
 - (A) the breach or non-fulfilment is not waived in accordance with clause 3.4 or cannot be waived because of clause 3.4(a); or
 - (B) each party having the benefit of that Condition Precedent confirms in writing to the other party that it will not waive the breach or non-fulfilment in accordance with clause 3.4; or
 - (ii) subject to clause 3.5(d), a Condition Precedent becomes incapable of satisfaction before the End Date and:

Attachment B. Scheme Implementation Deed continued

- (A) the breach or non-fulfilment of that Condition Precedent that has occurred or would otherwise occur is not waived in accordance with clause 3.4; or
- (B) each party having the benefit of that Condition Precedent confirms in writing to the other party that it will not waive the breach or non-fulfilment of that Condition Precedent that has occurred or would otherwise occur in accordance with clause 3.4; or

(iii) the Scheme has not become Effective by the End Date,

and neither of the following has occurred:

(iv) the Independent Expert concluded in the Independent Expert's Report (or any update or variation to that report) that in its opinion the Transaction is not in the best interests of Target Shareholders; or

(v) a Superior Proposal has been publicly announced,

then either party may give the other party written notice (**Consultation Notice**) within 10 Business Days after the relevant event (**Termination Event**). The parties must then consult in good faith with a view to determining whether they can reach agreement with respect to:

(vi) an extension of the time for satisfaction of the relevant Condition Precedent or an extension of the End Date (as the case may be); or

(vii) the Transaction proceeding by way of alternative means or methods.

(b) If the parties are unable to reach agreement under clause 3.5(a) within 10 Business Days after a Consultation Notice is given, or if a Consultation Notice is not required to be given or is otherwise not given within 10 Business Days after a Termination Event, either party (in this clause 3.5, the **Terminating Party**) may terminate this deed by giving written notice (**Termination Notice**) to the other party, provided that:

(i) if the basis upon which the Terminating Party is seeking to terminate this deed is the occurrence of an event described in clause 3.5(a)(i) or 3.5(a)(ii), the Terminating Party has the benefit of the relevant Condition Precedent or the Condition Precedent is one referred to in clause 3.4(a); and

(ii) there has been no failure by the Terminating Party to comply with its obligations under this deed, where that failure directly and materially contributed to the circumstances forming the basis upon which the Consultation Notice was given.

(c) Where a Termination Notice is validly given under this clause 3.5, this deed will terminate with immediate effect and clause 12.5 will apply.

(d) For the purposes of clause 3.5(a)(ii), a Condition Precedent will be incapable of satisfaction or incapable of being fulfilled if there is an act, failure to act or occurrence that will prevent the Condition Precedent being satisfied by the End Date (and the breach or non-fulfilment that would otherwise have occurred has not already been waived in accordance with this deed).

3.6 Certain notices

Each party must promptly notify the other party in writing if:

- (a) a Condition Precedent has been satisfied, in which case that party must comply with any reasonable request for evidence of such satisfaction made by the other party;
- (b) there is a breach or non-fulfilment of a Condition Precedent; or
- (c) it becomes aware of any fact, matter or circumstance that has resulted, will result or is reasonably likely to result in:
 - (i) a Condition Precedent becoming incapable of satisfaction or otherwise not being satisfied in accordance with its terms; or
 - (ii) a material breach of this deed by that party.

3.7 Scheme voted down

If the Scheme is not approved by Target Shareholders at the Scheme Meeting by reason only of the non-satisfaction of the Headcount Test and Bidder considers acting reasonably that Share Splitting or some abusive or improper conduct may have caused or contributed to the Headcount Test not having been satisfied, then Target must:

- (a) apply for an order of the Court contemplated by section 411(4)(a)(ii)(A) of the Corporations Act to disregard the Headcount Test and seek Court approval of the Scheme under section 411(4)(b) of the Corporations Act, notwithstanding that the Headcount Test has not been satisfied; and
- (b) make such submissions to the Court and file such evidence as Counsel engaged by Target to represent it in Court proceedings related to the Scheme, in consultation with Bidder, considers is reasonably required to seek to persuade the Court to exercise its discretion under section 411(4)(a)(ii)(A) of the Act by making an order to disregard the Headcount Test.

4 Scheme

4.1 Scheme

- (a) Target agrees to propose the Scheme on and subject to the terms of this deed and substantially in accordance with the Timetable.
- (b) Target must not consent to any modification of, or amendment to, the Scheme, or to the making or imposition by a court of any condition in respect of the Scheme, without the prior written consent of Bidder (such consent not to be unreasonably withheld).

4.2 Scheme Consideration

- (a) Subject to the Scheme becoming Effective, each Scheme Shareholder will be entitled to receive the Scheme Consideration under the Scheme, in respect of each Scheme Share held by that Scheme Shareholder at the Record Date.
- (b) Bidder covenants in favour of Target (in its own right and separately as trustee for each Scheme Shareholder) that, if the Scheme becomes Effective, in consideration

Attachment B. Scheme Implementation Deed continued

of the transfer to Bidder of all the Scheme Shares held by a Scheme Shareholder under the Scheme, Bidder will, on the Implementation Date:

- (i) accept that transfer; and
- (ii) pay, or procure the payment, into a trust account operated by Target as trustee for the Scheme Shareholders of an amount in cleared funds equal to the aggregate amount of the Scheme Consideration for all Scheme Shares, by no later than the Business Day before the Implementation Date (provided that any interest on the amount so deposited (less bank fees and other charges) will accrue for the benefit of Bidder),

in each case in accordance with the terms of the Scheme.

- (c) Subject to the Scheme becoming Effective and Bidder complying with its obligations under clause 4.2(b), on the Implementation Date, the transactions which form part of the Scheme will be implemented in the following sequence:
 - (i) all Scheme Shares will be transferred to Bidder; and
 - (ii) in exchange, each Scheme Shareholder will receive the Scheme Consideration for each Scheme Share held by it, which Target will procure is paid to each Scheme Shareholder from the trust account referred to in clause 4.2(b)(ii).
- (d) Where the calculation of the Scheme Consideration to be provided to a particular Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a cent, the fractional entitlement will be rounded up to the nearest whole cent.

4.3 Permitted Dividends

- (a) Subject to clause 4.3(b), Bidder acknowledges and agrees that at any time on or before the Implementation Date, Target may announce, declare and pay:
 - (i) a Permitted Interim Dividend; and
 - (ii) subject to the Scheme becoming Effective, a Permitted Special Dividend.
- (b) If Target announces, declares and pays any Permitted Dividend(s) in accordance with clause 4.3(a):
 - (i) the payment of the Permitted Dividends will be determined by Target provided that the Permitted Dividends are paid no later than the Implementation Date;
 - (ii) the Permitted Dividends may be franked to the maximum extent possible, subject to the franking account of Target not being in deficit after the payment of the Permitted Dividends (and prior to the declaration of any Permitted Dividends, Target must provide Bidder with supporting documents evidencing (to Bidder's reasonable satisfaction) that the franking account of Target shall not be in deficit after the payment of such);
 - (iii) the Permitted Dividends are to be paid from profits, retained earnings or distributable reserves (or a combination of all or some of them) of Target Group existing prior to the declaration or authorisation of such dividends and otherwise in accordance with the Corporations Act; and

- (iv) the Scheme Consideration per Target Share will be reduced by the aggregate amount per Target Share of all Permitted Dividends.

4.4 Target Options and Target Performance Rights

(a) Target must:

- (i) procure that the Target Board exercises any discretion enjoyed by the Target Board, and makes any necessary determinations, under the Target LTIP Rules; and
- (ii) make any necessary waiver applications under the Listing Rules (if applicable),

to cause all Target Options and Target Performance Rights to vest and become exercisable in accordance with, and subject to the conditions in, clause 4.4(b).

(b) As soon as reasonably practicable after the date of this deed, Target must give effect to the determinations made by the Target Board under clause 4.4(a) by giving a written notice (**Conditional Vesting Notice**) to each Option Holder and Performance Rights Holder (each, an **Incentive Securityholder**) which states that, unless the Incentive Securityholder enters into a written agreement with Bidder (or another member of the Bidder Group) that effects a different treatment of that Incentive Securityholder's Target Options and/or Target Performance Rights in connection with the Scheme (**Alternative Incentive Arrangements**):

- (i) the Incentive Securityholder's Target Performance Rights (if any) will, subject to the Scheme becoming Effective, automatically convert into Target Shares immediately before the Record Date (or any earlier date and time determined by the Target Board); and
- (ii) in respect of the Incentive Securityholder's Target Options (if any), subject to the Scheme becoming Effective:
 - (A) such Target Options may be exercised by the Incentive Securityholder in accordance with their terms and the Target LTIP Rules by giving notice to Target at any time after the date of receipt of the Conditional Vesting Notice up to 5:00pm on the Business Day before the Record Date (or any earlier date and time determined by the Target Board) (**Exercise Period**);
 - (B) such Target Options will, if exercised during the Exercise Period, convert into Target Shares immediately before the Record Date (or any earlier date and time determined by the Target Board);
 - (C) if the Target Board so determines, the Incentive Securityholder will not be required to pay the exercise price for each Target Option they elect to exercise, and, on the Implementation Date, they will be paid a cash amount equal to the difference between the aggregate exercise price for the Target Options they have elected to exercise (being such price as set out in the Target LTIP Rules which relate to those Target Options) and the aggregate Scheme Consideration paid by Bidder in respect of those Target Options; and
 - (D) any Target Options that are not exercised during the Exercise Period will lapse immediately before the Record Date.

Attachment B. Scheme Implementation Deed continued

- (c) Target must provide any assistance reasonably requested by Bidder in connection with any proposals made by Bidder to Incentive Securityholders in relation to Alternative Incentive Arrangements.

5 Implementation

5.1 Target obligations

Target must, acting at all times in good faith, take all steps reasonably necessary to propose and implement the Scheme substantially in accordance with the Timetable, and otherwise as soon as practicable and on and subject to the terms of this deed. Without limiting the foregoing, Target must:

- (a) **(Independent Expert)** as soon as reasonably practicable after the date of this deed (if the Independent Expert has not been appointed prior to the date of this deed), appoint the Independent Expert and provide all assistance and information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's Report (and any update to any such report);
- (b) **(preparation of Scheme Booklet)**
- (i) subject to clause 5.2(a), prepare the Scheme Booklet (other than the Bidder Information and the Independent Expert's Report) in accordance with all applicable laws (including the Corporations Act and Corporations Regulations), RG 60 and the Listing Rules; and
 - (ii) provide Bidder with drafts of the Scheme Booklet and the factual information sections relating to Bidder in the Independent Expert's Report, in a timely manner and, acting reasonably and in good faith, consider (and, where applicable, promptly provide to the Independent Expert in writing) all reasonable comments from Bidder and its Representatives on those drafts, provided that such comments are provided to Target in a timely manner (however in relation to the Independent Expert's Report Target makes no representation as to the extent to which the Independent Expert will receive or consider those comments);
- (c) **(consent of Bidder)** not lodge the Regulator's Draft with ASIC under clause 5.1(e) unless Bidder has provided its consent under clause 5.2(e)(i) and otherwise work collaboratively with Bidder as to the content and presentation of the Scheme Booklet;
- (d) **(approval of draft for ASIC)** as soon as reasonably practicable after the preparation of an advanced draft of the Scheme Booklet suitable for review by ASIC, procure that a meeting of the Target Board, or of a committee of the Target Board appointed for the purpose, is held to consider approving that draft as being in a form appropriate for provision to ASIC for its review and approval for the purposes of section 411(2) of the Corporations Act;
- (e) **(lodgement of Regulator's Draft)**
- (i) as soon as reasonably practicable after the date of this deed but no later than 14 days before the First Court Date, and following Bidder giving confirmation as contemplated by clause 5.2(e), provide an advanced draft of the Scheme Booklet (**Regulator's Draft**) to ASIC for its review for the purposes of section 411(2) of the Corporations Act, and provide a copy of

- the Regulator's Draft to Bidder immediately thereafter (for the avoidance of doubt, Target will not be deemed to have breached its obligation to use reasonable endeavours under this clause 5.1(e)(i) if it has used reasonable endeavours in respect of matters reasonably within the control of Target and will not be deemed to have breached this clause 5.1(e)(i) to the extent that Bidder, Bidder Group, a Representative of Bidder or the Independent Expert has caused or contributed to the failure of Target to lodge the Regulator's Draft with ASIC by the required time); and
- (ii) keep Bidder reasonably informed of any issues raised by ASIC in relation to the Regulator's Draft (and of any resolution of those matters) and, where practical to do so, consult with Bidder in good faith prior to taking any steps or actions to address any such issues (provided that, where such issues relate to Bidder Information, Target must not take any steps to address them without Bidder's prior written consent, not to be unreasonably withheld);
- (f) **(indication of intent)** apply to ASIC for a letter indicating whether ASIC proposes to make submissions to the Court, or intervene to oppose the Scheme, during the First Court Hearing;
 - (g) **(approval of Scheme Booklet)** as soon as reasonably practicable after the conclusion of the review by ASIC of the Scheme Booklet in accordance with clause 5.1(f), procure that a meeting of the Target Board, or of a committee of the Target Board appointed for the purpose, is held to consider approving the Scheme Booklet for despatch to the Target Shareholders, subject to orders of the Court under section 411(1) of the Corporations Act;
 - (h) **(First Court Hearing)** apply to the Court for orders under section 411(1) of the Corporations Act directing Target to convene the Scheme Meeting, and consult with Bidder as to the content of all relevant Court Documents. Such consultation must include providing Bidder with a reasonable opportunity to review and comment on the relevant Court Documents before they are lodged, and Target must consider in good faith any comments provided by or on behalf of Bidder;
 - (i) **(due diligence and verification)** undertake appropriate due diligence and verification processes in relation to the Target Information;
 - (j) **(approval and registration of Scheme Booklet)** request that, in accordance with section 412(6) of the Corporations Act, ASIC register the Scheme Booklet;
 - (k) **(despatch)** as soon as reasonably practicable following the receipt of the Bidder's written consent to the inclusion of the Bidder Information in the form and context in which the Bidder Information appears in such version of the Scheme Booklet (which must not be unreasonably withheld or delayed) and the subsequent registration of the Scheme Booklet by ASIC, despatch the Scheme Booklet to Target Shareholders;
 - (l) **(supplementary disclosure)** if, after despatch of the Scheme Booklet, Target becomes aware:
 - (i) that information included in the Scheme Booklet is or has become misleading or deceptive in any material respect (whether by omission or otherwise); or
 - (ii) of information that is required to be disclosed to Target Shareholders under any applicable law or RG 60 but was not included in the Scheme Booklet,

Attachment B. Scheme Implementation Deed continued

promptly consult with Bidder in good faith as to the need for, and form of, any supplementary disclosure to Target Shareholders, and make any such disclosure that it considers reasonably necessary in the circumstances, having regard to applicable laws and RG 60. Such consultation with Bidder includes, to the extent reasonably practicable, providing Bidder with a reasonable opportunity to review and comment on such disclosure before it is made and must consider in good faith any comments provided by or on behalf of Bidder (however in relation to any update or variation to the Independent Expert's Report in connection with the proposed supplementary disclosure, Target makes no representation as to the extent to which the Independent Expert will receive or consider those comments). To the extent that the supplementary disclosure relates to (or constitutes) Bidder Information, it may only be made with Bidder's prior written consent (not to be unreasonably withheld or delayed);

- (m) **(promote Transaction)** participate in efforts reasonably requested by Bidder to promote the merits of the Transaction, including, where reasonably requested by Bidder, meeting with key Target Shareholders;
- (n) **(no objection statement)** apply to ASIC for a statement under section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme;
- (o) **(Scheme Meeting)** convene and hold the Scheme Meeting to approve the Scheme in accordance with the orders made by the Court at the First Court Hearing;
- (p) **(Conditions Precedent certificate)** at the Second Court Hearing, provide to the Court (through its counsel):
 - (i) a certificate confirming (in respect of matters within its knowledge) whether or not the Conditions Precedent (other than the Condition Precedent in clause 3.1(b)) have been satisfied or waived in accordance with clause 3, a draft of which certificate must be provided to Bidder by 5:00pm on the Business Day prior to the Second Court Date; and
 - (ii) any certificate provided to it by Bidder pursuant to clause 5.2(h);
- (q) **(Second Court Hearing)** subject to the Conditions Precedent (other than the Condition Precedent in clause 3.1(b) being satisfied or waived in accordance with clause 3, apply to the Court for orders under section 411(4)(b) of the Corporations Act approving the Scheme and consult with Bidder as to the content of all Court Documents. Such consultation must include providing Bidder with a reasonable opportunity to review and comment on the relevant Court Documents before they are lodged, and Target must consider in good faith any comments provided by or on behalf of Bidder;
- (r) **(Court Documents)** prepare the Court Documents, provide drafts of those documents to Bidder in a timely manner and, acting reasonably and in good faith, take into account all reasonable comments from Bidder and its Representatives on those drafts, provided that such comments are provided in a timely manner;
- (s) **(Bidder representation at Court Hearings)** allow, and not oppose, any application by Bidder for leave of the Court to be represented by counsel at a Court Hearing;
- (t) **(lodgement of Court order)** for the purposes of section 411(10) of the Corporations Act, lodge with ASIC an office copy of the orders made by the Court under section 411(4)(b) of the Corporations Act approving the Scheme before

5:00pm on the Business Day following the day on which it receives such office copy;

- (u) **(Bidder Information)** without the prior written consent of Bidder, not use the Bidder Information for any purposes other than those expressly contemplated by this deed or the Scheme;
- (v) **(Target SSSP Shares)** Target must take any reasonable action, and must procure that the Target Board exercises any discretion under the Target SSSP Rules, required to enable all Target SSSP Shares to be acquired by Bidder under the Scheme;
- (w) **(Escrowed Target Shares)** Target must take all actions required under the Oceania Escrow Deeds to enable all Escrowed Target Shares to be acquired by Bidder under the Scheme;
- (x) **(quotation of Target Shares and ASX listing)** if the Scheme becomes Effective, apply to ASX to have:
 - (i) trading in Target Shares suspended from the close of trading on the Effective Date; and
 - (ii) Target removed from the official list of ASX, and quotation of Target Shares on the ASX terminated, with effect on and from the close of trading on the Trading Day immediately following, or shortly after, the Implementation Date,

and not do anything to cause any of these things to happen before the time specified in this clause 5.1(x);

- (y) **(information)** provide Bidder with such information as Bidder reasonably requests, and procure that the Target Registry provides all information reasonably requested, for the purpose of understanding legal ownership of Target Shares and proxy appointments and directions received by Target prior the Scheme Meeting and soliciting votes in favour of the Scheme;
- (z) **(compliance with laws)** do everything reasonably within its power to ensure that the Transaction is effected in accordance with all applicable laws, regulations and policy;
- (aa) **(certificate)** on the Second Court Date but before the Delivery Time, provide a certificate to Bidder confirming whether or not it is actually aware (after making reasonable enquiries) that it has breached any of its material obligations under this deed, and if it has, giving details of such breach;
- (bb) **(implementation)** if the Scheme becomes Effective, do all things contemplated of it under the Scheme and all other things (if any) necessary for Target to do to lawfully give effect to the Scheme including:
 - (i) requesting that ASX suspends trading in Target Shares from the close of trading on the Effective Date;
 - (ii) closing the Target Share Register at the Record Date to determine the identity of the Scheme Shareholders and their entitlements to the Consideration as at the Record Date; and
 - (iii) executing instruments of transfer of and giving effect to and registering the transfer of the Scheme Shares to Bidder on the Implementation Date; and

Attachment B. Scheme Implementation Deed continued

- (cc) **(ASX listing)** maintain Target's admission to the official list of ASX and the quotation of Target Shares on ASX up to and including the Implementation Date.

5.2 Bidder obligations

Bidder must, acting at all times in good faith, take all steps reasonably necessary to implement the Scheme substantially in accordance with the Timetable and otherwise as soon as practicable and on and subject to the terms of this deed. Without limiting the foregoing, Bidder must:

- (a) **(prepare Bidder Information)**
- (i) as soon as reasonably practicable after the date of this deed, prepare the Bidder Information for inclusion in the Scheme Booklet in accordance with all applicable laws (including the Corporations Act and Corporations Regulations), RG 60 and the Listing Rules; and
 - (ii) provide Target with drafts of the Bidder Information in a timely manner and, acting reasonably and in good faith, take into account all reasonable comments from Target and its Representatives on those drafts, provided that such comments are provided to Target in a timely manner;
- (b) **(assistance with Scheme Booklet and Court Documents)** provide any assistance or information reasonably requested by Target or its Representatives in connection with the preparation of the Scheme Booklet (including any supplementary disclosure to Target Shareholders) or any Court Documents, including reviewing the drafts of the Scheme Booklet prepared by Target and provide comments in a timely manner on those drafts in good faith;
- (c) **(Independent Expert's Report)** subject to the Independent Expert agreeing to reasonable confidentiality restrictions, provide any assistance or information reasonably requested by Target or its Representatives, or by the Independent Expert, in connection with the preparation of the Independent Expert's Report (and any update or variation to any such report);
- (d) **(due diligence and verification)** undertake appropriate due diligence and verification processes in relation to the Bidder Information;
- (e) **(confirmation of Bidder Information)** promptly after Target requests that it does so, confirm in writing to Target that:
- (i) it consents to the inclusion of the Bidder Information in the Scheme Booklet, in the form and context in which the Bidder Information appears; and
 - (ii) the Bidder Information in the Scheme Booklet is not misleading or deceptive in any material respect (whether by omission or otherwise), and the inclusion of such Bidder Information, in that form and context, has been approved by the Bidder Board;
- (f) **(update Bidder Information)** promptly advise Target in writing if it becomes aware:
- (i) of information which should have been but was not included in the Bidder Information in the Scheme Booklet (including if known at the time), and promptly provide Target with the omitted information; or

- (ii) that the Bidder Information in the Scheme Booklet is misleading or deceptive in any material respect (whether by omission or otherwise), and promptly provide Target with any information required to correct the misleading or deceptive statements;
- (g) **(Deed Poll)** before 5:00pm on the Business Day before the First Court Date, enter into the Deed Poll and deliver it to Target, and if the Scheme becomes Effective, fully comply with its obligations under the Deed Poll;
- (h) **(Conditions Precedent certificate)** before the Delivery Time, provide to Target for provision to the Court at the Second Court Hearing a certificate confirming (in respect of matters within its knowledge) whether or not the Conditions Precedent (other than the Condition Precedent in clause 3.1(b)) have been satisfied or waived in accordance with clause 3, a draft of which certificate must be provided to Target by 5:00pm on the Business Day before the Second Court Date;
- (i) **(representation at Court)** ensure that it is represented by counsel at the First Court Hearing and the Second Court Hearing, at which, through its counsel, Bidder will undertake (if requested by the Court) to do all such things and take all such steps within its power as are reasonably necessary in order to ensure the fulfilment of its obligations under this deed, the Scheme and to, so far as reasonably practicable, ensure that the Court makes an order under section 411(4)(b) of the Corporations Act approving the Scheme;
- (j) **(Scheme Consideration)** if the Scheme becomes Effective, pay or procure the payment of the Scheme Consideration in the manner and in the amount contemplated by clause 4 of this deed, the terms of the Scheme and the Deed Poll (and Target holds this promise on trust for Target Shareholders);
- (k) **(share transfer)** if the Scheme becomes Effective, accept a transfer of the Scheme Shares as contemplated by clause 4.2(b) and execute instruments of transfer in respect of the Scheme Shares;
- (l) **(certificate)** on the Second Court Date but before the Delivery Time, provide a certificate to Target confirming whether or not it is actually aware (after making reasonable enquiries) that it has breached any of its material obligations under this deed, and if it has, giving details of such breach; and
- (m) **(compliance with laws)** do everything reasonably within its power to ensure that the Transaction is effected in accordance with all applicable laws, regulations and policy.

5.3 Scheme Booklet

- (a) If the parties are unable to agree on the form or content of a particular part of the Scheme Booklet, then:
 - (i) if the relevant part of the Scheme Booklet is Bidder Information, Target will make such amendments to that part of the Scheme Booklet as required by Bidder (acting reasonably and in good faith); and
 - (ii) in any other case, Target (acting reasonably and in good faith) will decide the form and content of that part of the Scheme Booklet.

Attachment B. Scheme Implementation Deed continued

- (b) The parties agree that the Scheme Booklet will contain a responsibility statement to the effect that:
 - (i) Target is responsible for the Target Information contained in the Scheme Booklet;
 - (ii) Bidder is responsible for the Bidder Information contained in the Scheme Booklet; and
 - (iii) the Independent Expert is responsible for the Independent Expert's Report, and none of Target, Bidder or their respective directors or officers assumes any responsibility for the accuracy or completeness of the Independent Expert's Report.
- (c) Each party must undertake appropriate verification processes for the information supplied by that party for the Scheme Booklet.

5.4 Conduct of business

Subject to clause 5.5(a), from the date of this deed up to and including the Implementation Date, Target must:

- (a) ensure that the business of the Target Group is conducted:
 - (i) in the usual and ordinary course;
 - (ii) in a manner generally consistent with the manner in which such business has been conducted in the 12 months prior to the date of this deed; and
 - (iii) in accordance with all applicable laws and contractual obligations in all material respects;
 - (iv) substantially in accordance with the budget for the Target Group in respect of the financial year ending 30 June 2018 which has been provided at folder 02.03 of the Online Data Room (the **Target Group Budget**);
- (b) not, and must ensure that its Related Bodies Corporate do not:
 - (i) do or cause to be done, or fail to do or cause not to be done, anything that would or may result in the Scheme not being implemented or being implemented otherwise than substantially in accordance with the Timetable, and in accordance with the terms of this deed, provided that this clause 5.4(a)(iv) does not require a standard of conduct higher than that set out in clause 3.3 in respect of the satisfaction of the Conditions Precedent; or
 - (ii) authorise, commit or agree to do any of the matters set out above;
- (c) make reasonable endeavours to:
 - (i) retain the services of the Relevant Employees of the Target Group; and
 - (ii) maintain and preserve the Target Group's relationships with joint venturers, customers, suppliers, investors, Government Agencies, licensors, licensees and others with whom the Target Group has business dealings;
- (d) ensure that all material assets are maintained in the normal course and consistent with past practice;

- (e) ensure that the Target Group manages its cash flow in accordance with prudent practice in the ordinary course of business (including by ensuring that monthly payments to suppliers are made in accordance with the relevant contractual terms) and substantially consistent with forecast utilisation Fairly Disclosed in the Disclosure Materials prior the date of this deed;
- (f) maintain the policies of insurance held by the Target Group that are in force as at the date of this deed;
- (g) ensure that all invoices are paid as and when due, unless disputed by the relevant Target Group Company;
- (h) keep Bidder informed of any current, pending or threatened Tax or Duty audits, reviews or investigations or Tax Demands relating to any member of the Target Group, and procure that no member of the Target Group settles, compromises or otherwise deals with such audits, reviews or investigations or Tax Demands without the prior written consent of Bidder (which must not be unreasonably withheld or delayed);
- (i) ensure that none of the following events occurs:
 - (i) any member of the Target Group provides financial accommodation other than to members of the Target Group (irrespective of what form that financial accommodation takes), other than in connection with the sale or purchase of products by any member of the Target Group in the ordinary course of the Target Group's business;
 - (ii) any member of the Target Group enters into (or agrees to enter into) any Indebtedness which it was not a party to as at the date of this deed, other than in connection with:
 - (A) the sale or purchase of products by any member of the Target Group in the ordinary course of the Target Group's business; or
 - (B) a drawdown on any Target Group debt facility in place on the date of this deed in connection with the funding of any Permitted Dividend(s);
 - (iii) any member of the Target Group materially varying any employment agreement with a Relevant Employee or otherwise increasing remuneration, compensation or rights to benefits for a Relevant Employee (other than in the ordinary course of the Target Group's business, pursuant to contractual arrangements or Target Group's policies and guidelines in effect as at the date of this deed or as required by law or regulation);
 - (iv) any member of the Target Group entering into, or resolving to enter into, a transaction with a related party of Target, including giving or agreeing to give a financial benefit to a related party (other than a related party that is a member of Target Group) as defined in section 228 of the Corporations Act, other than under or in connection with an incentive plan or scheme in place as at the date of this deed;
 - (v) any member of the Target Group materially amending any agreement or arrangement with a Financial Adviser, or entering into an agreement or arrangement with a new Financial Adviser;
 - (vi) any member of the Target Group paying any of its directors, officers, or senior executives a termination or retention payment, other than in

Attachment B. Scheme Implementation Deed continued

accordance with contractual arrangements in place on the date of this deed and which have been Fairly Disclosed to Bidder in the Disclosure Materials;

- (vii) the Target Group alters in any material respect any accounting policy of any member of the Target Group, other than any change required by applicable accounting standards; or
- (viii) any member of the Target Group authorises, procures or commits or agrees to do any of the matters set out in paragraphs (i) to (vii) above.

5.5 Permitted Activities

- (a) Nothing in clause 5.4 restricts the ability of a Target Group Company to:
 - (i) take any action which:
 - (A) is required or permitted by this deed or the Scheme;
 - (B) is an action of the kind referred to in paragraph (u), (v) or (w) of the definition of Prescribed Occurrence, provided that it does not cause the relevant Prescribed Occurrence to occur;
 - (C) has been Fairly Disclosed in the Disclosure Materials or Fairly Disclosed in an announcement by Target to ASX within 5 years prior to the date of this deed, or Fairly Disclosed in a document lodged with ASIC by or on behalf of Target within 5 years prior to the date of this deed;
 - (D) has been agreed to in writing by Bidder (such agreement not to be unreasonably withheld or delayed);
 - (E) ensures that directors' and officers' run-off insurance cover for the directors and officers of Target and each member of the Target Group is maintained on terms and at such costs which are reasonable and standard for a company similar to Target or a member of the Target Group (as the case may be) for a period of 7 years from the resignation or retirement date of each such director and officer (**D&O Run-off Policy**). For the avoidance of doubt, a D&O Run-off Policy premium of more than \$400,000 for such policy would be reasonable in the circumstances existing as at the date of this deed; or
 - (F) is required by law or by any applicable governmental or other regulatory authority.
 - (b) In this deed, unless the context requires otherwise, references to the business or assets of the Target Group are to that business or those assets taken as a whole.
 - (c) For the avoidance of doubt, nothing in this clause 5.4 restricts the ability of Target to respond to a Competing Proposal in accordance with clause 8.

5.6 Access

- (a) From the date of this deed until and including the Implementation Date, Target must procure that Bidder is provided with reasonable, non-disruptive access during normal business hours and on reasonable notice to information, premises and senior executives of any member of the Target Group, where Bidder requests such access for the purposes of:

- (i) implementation of the Transaction;
- (ii) obtaining an understanding, or furthering its understanding, of the Target Group or its business or assets in order to allow Bidder to develop, finalise and implement its plans for the Target Group following implementation of the Transaction;
- (iii) finalisation of Bidder's structuring arrangements for the Transaction; or
- (iv) any other purpose that is agreed in writing between the parties (acting reasonably),

provided that compliance with any such request would not, in the reasonable opinion of Target (acting in good faith), result in undue disruption to the Target Group's business, and provided that nothing in this clause 5.6 shall require Target to provide Bidder with any information:

- (v) in breach of an obligation of confidentiality to any person; or
 - (vi) without limitation to any of Target's obligations and covenants in clause 8, concerning the consideration of the Transaction or any actual or potential Competing Proposal by the Target Board (or a sub-committee of the Target Board) or Target management.
- (b) During the period from the date of this deed up to and including the Implementation Date, Target must promptly notify Bidder in writing of any of the following matters of which Target becomes aware, and such written notification must include a reasonable summary of the relevant matter to the extent the details are known to Target:
- (i) events, facts, matters or circumstances which:
 - (A) would or would be likely to constitute a Material Adverse Change; or
 - (B) would or would be likely to have a material adverse effect on: (x) the financial or operational performance, or the reputation, of the Target Group; or (y) the Target Group's relationships with Government Agencies or key customers, suppliers, licensors, licensees, or other persons with whom the Target Group has material business dealings;
 - (ii) changes to any of the persons holding the positions of the Relevant Employees; and
 - (iii) any breach of, or default under, any law, contract (other than this deed, which is dealt with in clause 5.12), arrangement, permit, licence or authorisation that is binding upon any member of the Target Group and which is reasonably likely to result in a material liability on the part of any member of the Target Group.

5.7 Provision of certain information to Bidder

Without limiting clause 5.6(a), during the period from the date of this deed up to and including the Implementation Date, Target must promptly provide Bidder with:

- (a) all information and reports provided to the Target Board; and

Attachment B. Scheme Implementation Deed continued

- (b) a copy of all material correspondence received from, or provided or proposed to be provided to, a Government Agency,

provided that compliance with clauses 5.7(a) and 5.7(b) would not, in the reasonable opinion of Target (acting in good faith), result in undue disruption to the Target Group's business, and provided that nothing in this clause 5.7 shall require Target to provide Bidder with any information:

- (c) in breach of an obligation of confidentiality to any person; or
- (d) without limitation to any of Target's obligations and covenants in clause 8, concerning the consideration of the Transaction or any actual or potential Competing Proposal by the Target Board (or a sub-committee of the Target Board) or Target management.

5.8 Change of Control Requirements

As soon as practicable after the date of this deed, the parties must:

- (a) seek to identify any change of control or similar provisions in any contracts to which a member of the Target Group is party which may be triggered by the implementation of the Transaction (**Change of Control Requirements**); and
- (b) use all reasonable endeavours to agree a proposed strategy to obtain any consents required in accordance with the terms of any identified Change of Control Requirements, and, if agreed between parties as part of the proposed strategy, to then use reasonable efforts to promptly seek those consents in accordance with the agreed strategy.

5.9 Financing arrangements

- (a) Between the date of this deed and the Implementation Date, Target must provide assistance reasonably requested by Bidder in connection with any repayment of Target Group Indebtedness (which shall be repaid on the Implementation Date) that Bidder reasonably requires in connection with the Transaction, including:
 - (i) providing the Bidder with information reasonably requested by Bidder in relation to use of existing cash reserves of the Target Group for such purpose;
 - (ii) issuing prepayment notices in relation to the existing Target Group debt facilities, and using reasonable endeavours to close out hedging arrangements (will shall be closed out on the Implementation Date); and
 - (iii) using reasonable endeavours to procure deeds of release and discharges of real property mortgages and registrations on the Personal Property Securities Register from secured parties in relation to any security interest granted by a member of Target Group in favour of that party and using reasonable endeavours procuring the return of any little documents held by a secured party.
- (b) Target agrees to provide assistance in connection with the arrangement or syndication of any debt financings by any member of Bidder Group (**Transaction Financing**) as may be reasonably requested by Bidder and from time to time (at Bidder's sole cost, except that the remuneration of Employees will continue to be paid by the Target Group), including:

- (i) participating in meetings (including meetings with ratings agencies), drafting sessions and due diligence sessions;
- (ii) furnishing Bidder and the financing sources of Bidder Group within a reasonable timeframe with reasonable financial and other pertinent information regarding Target Group or an entity in which any member of Target Group has an investment, as may be reasonably requested by Bidder;
- (iii) providing reasonable assistance to Bidder and its financing sources in the preparation of any offering document to be used in obtaining or syndicating any debt financing, and any materials required in connection with ratings agency presentations;
- (iv) providing reasonable co-operation with any marketing efforts undertaken by Bidder Group and its financing sources related to debt financings (including by making available such senior executives of Target as reasonably requested by Bidder at mutually convenient times);
- (v) providing reasonable assistance to Bidder Group to satisfy any conditions and obligations of any financing to the extent it is within its reasonable control; and
- (vi) providing reasonable information required to complete a reconciliation of financial statements to applicable accounting standards,

provided, in each case that no member of Target Group shall be required to incur any liability in connection with any Transaction Financing prior to implementation of the Scheme.

- (c) Nothing in this clause 5.9 shall require co-operation to the extent that it would cause any Condition Precedent to not be satisfied or otherwise cause a breach of this deed.
- (d) Bidder must indemnify Target (in its own right and separately as trustee or nominee for each Target Indemnified Party) and each of the Target Indemnified Parties against any claim, action, damage, loss, liability, cost, expense or payment, of whatever nature and however arising, suffered or incurred by any of them in connection with any Transaction Financing and any information utilised in connection with any Transaction Financing, in each case other than to the extent any of the foregoing arises from the bad faith or wilful misconduct of, or breach of this deed by, Target or a Target Indemnified Party.
- (e) No Target Group Company or Target Indemnified Party will be required to execute, other than subject to the Scheme becoming Effective, any credit agreements, pledge or security documents or legal opinions in connection with Transaction Financing.

5.10 Resignation of directors

Subject to provision of the Scheme Consideration in accordance with clause 4.2, Target must procure that, with effect on and from the Implementation Date:

- (a) those persons nominated by Bidder are appointed to the Target Board and the boards of other members of the Target Group, provided that:

Attachment B. Scheme Implementation Deed continued

- (i) such persons sign consents to act as a director of the relevant member(s) of the Target Group; and
- (ii) such consents to act are provided to Target before the Implementation Date; and
- (b) those Target Directors and directors of other members of the Target Group, as nominated by Bidder, resign as a director of the relevant member(s) of the Target Group by providing to the relevant board their resignation in writing (such resignation to include a statement to the effect that the outgoing director has no claim outstanding against any member of the Target Group, provided that nothing in this clause 5.10(b) requires any such director to forego any rights they may have under any deed of access and indemnity or policy of directors and officers insurance).

5.11 Appeal process

If the Court refuses to make any orders directing Target to convene the Scheme Meeting or approving the Scheme, Target and Bidder must:

- (a) consult with each other in good faith as to whether to appeal the Court's decision; and
- (b) appeal the Court's decision unless the parties agree otherwise under paragraph (a) or an independent senior counsel opined that, in his or her view, an appeal would have no reasonable prospect of success.

5.12 Notification of material breach

- (a) During the period from the date of this deed up to and including the Implementation Date, Target must promptly notify Bidder in writing of any material breach of this deed by Target (including any breach of a Target Scheme Warranty) of which Target becomes aware.
- (b) During the period from the date of this deed up to and including the Implementation Date, Bidder must promptly notify Target in writing of any material breach of this deed by Bidder (including any breach of a Bidder Warranty) of which Bidder becomes aware.
- (c) Any written notification provided by a party under paragraph (a) or (b) above must include a reasonable summary of the relevant material breach, to the extent the details are known to the party providing the notice.

6 Public announcements

- (a) Immediately after execution of this deed, Target must release the Agreed Public Announcement.
- (b) Subject to clause 6(c), before making any public announcement in relation to the Transaction (whether through the ASX or otherwise), a party must provide the other party with a draft copy of the relevant portion of such public announcement as soon as reasonably practicable before it is proposed that such public announcement is made, and must give the other party a reasonable opportunity to comment on the form and content of the relevant portion of such draft announcement and must take into account all reasonable comments from that party and its Representatives on the draft.

- (c) A party will only be required to comply with clause 6(b) if and to the extent that compliance would not, in the reasonable opinion of that party, be likely to result in that party breaching its continuous disclosure or similar obligations.

7 Board support of Transaction

7.1 Confirmation of Recommendations and Voting Intentions

Target represents and warrants to Bidder that each Target Director has confirmed (by way of a unanimous resolution of the Target Board) that:

- (a) his or her recommendation in respect of the Scheme is that Target Shareholders vote in favour of the Scheme at the Scheme Meeting (**Recommendation**); and
- (b) he or she intends to vote, or cause to be voted, all Target Shares held or Controlled by him or her in favour of the Scheme at the Scheme Meeting (**Voting Intention**),

in each case qualified only by words to the effect of:

- (c) “in the absence of a Superior Proposal”; and
- (d) “subject to the Independent Expert concluding in the Independent Expert’s Report (or any update or variation to that report) that the Transaction is in the best interests of Target Shareholders”.

7.2 Maintenance of Recommendation and Voting Intention

Target must use its reasonable endeavours to ensure that no Target Director withdraws, changes or modifies his or her Recommendation or Voting Intention unless:

- (a) the Target receives a Competing Proposal and the Target Board determines, after all of the Bidder’s rights under clause 8.7 have been exhausted, that the Competing Proposal constitutes a Superior Proposal; or
- (b) the Independent Expert concludes in the Independent Expert’s Report (or any update or variation to that report) that the Transaction is not in the best interests of Target Shareholders.
- (c) Subject to a Target Director withdrawing or changing a Recommendation or Voting Intention following the occurrence of one of the events referred to in clause 7.2, Target must ensure that:
- (i) the Scheme Booklet includes statements to the effect that that Target Director gives the Scheme Recommendation and has the Voting Intention; and
- (ii) no public announcement is made by Target, and use its reasonable endeavours to procure that no public statement is made by that Target Director, which is inconsistent with that Target Director giving the Recommendation and having the Voting Intention.

Attachment B. Scheme Implementation Deed continued

8 Exclusivity

8.1 Termination of existing discussions

Target represents and warrants to Bidder that, as at the date of this deed, Target Group:

- (a) is not a party to any agreement or arrangement with a Third Party entered into for the purpose of facilitating a Competing Proposal;
- (b) is not, directly or indirectly, participating in any discussions or negotiations with a Third Party that concern, or that could reasonably be expected to lead to, a Competing Proposal;
- (c) has ceased any existing discussions or negotiations with any Third Party in relation to a potential Competing Proposal; and
- (d) has ceased the provision of any non-public information in relation to the Target Group (**Non-public Information**) to any Third Party, where the provision of Non-public Information was for the purposes of a potential Competing Proposal.

8.2 No-shop restriction

During the Exclusivity Period, Target Group must not, and must procure that its Representatives do not:

- (a) solicit, initiate, encourage or invite any Competing Proposal;
- (b) solicit, initiate, encourage or invite enquiries, discussions, negotiations or proposals in relation to, or which may reasonably be expected to lead to, a Competing Proposal; or
- (c) communicate to any person any intention to do any of the things referred to in clauses 8.2(a) to 8.2(b).

8.3 No-talk restriction

Subject to clause 8.6, during the Exclusivity Period, Target Group and its Representatives must not (whether directly or indirectly):

- (a) negotiate or enter into or participate in negotiations or discussions with any person; or
- (b) communicate any intention to do any of these things;

in relation to, or which may reasonably be expected to lead to, a Competing Proposal, even if:

- (c) the Competing Proposal was not directly or indirectly solicited, invited, encouraged or initiated by Target Group; or
- (d) that person has publicly announced the Competing Proposal.

8.4 No due diligence restriction

During the Exclusivity Period, Target must not directly or indirectly:

- (a) solicit, initiate, facilitate, encourage or invite any person (other than Bidder, its affiliates or its Representatives) to undertake due diligence investigations in respect of the Target or any member of the Target Group, or any of their respective businesses and operations, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal; or
- (b) subject to clause 8.6, make available to any person (other than Bidder, its affiliates or its Representatives) or permit any such person to receive, other than in the ordinary course of business or as required by law or the rules of any prescribed financial market, any Non-public Information relating to the Target or any member of the Target Group, or any of their respective businesses and operations with a view to obtaining or which may reasonably be expected to lead to a Competing Proposal.

8.5 Notification obligation

- (a) During the Exclusivity Period, Target must notify Bidder in writing as soon as practicable and in any event within 2 Business Days if Target Group or any of Target's Representatives:
 - (i) receives a Competing Proposal or any approach, inquiry or proposal made by a Third Party to initiate any discussions or negotiations that could reasonably be expected to lead to a Competing Proposal; or
 - (ii) any request made by a Third Party for any information in relation to Target Group or any of their businesses or operations, that the Target Board has reasonable grounds to suspect may be in connection with such Third Party formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal,

(each, a **Notifiable Proposal**).
- (b) A notice provided by Target to Bidder under clause 8.5(a) must set out the material terms of the Notifiable Proposal, including (as the case may be):
 - (i) the identity of the Third Party that made the Notifiable Proposal; and
 - (ii) to the extent known by Target, the material terms (including price, conditions precedent and proposed timing) of any Competing Proposal or any proposed Competing Proposal.

8.6 Fiduciary exception

Clauses 8.3 and 8.4 do not apply to the extent they restrict Target or any Target Director from taking or refusing to take any action with respect to a Competing Proposal, approach, inquiry, proposal or request for information (in relation to which there has been no contravention of this clause 8) provided that:

- (a) the Competing Proposal, approach, inquiry or proposal or request for information (as the case may be) is bona fide and is made by or on behalf of a person that the Target Board considers is of sufficient commercial standing; and
- (b) the Target Board has determined in good faith after:
 - (i) consultation with Target's financial and legal advisers, that the Competing Proposal, approach, inquiry or proposal or request for information (as the

Attachment B. Scheme Implementation Deed continued

case may be) is or may be reasonably expected to lead to a Superior Proposal; and

- (ii) receiving advice from Target's external Australian legal advisers practicing in the area of corporate law, that failing to take the action or refusing to take the action (as the case may be) with respect to the Competing Proposal, approach, inquiry, proposal or request for information (as the case may be) may constitute a breach of its fiduciary or statutory duties.

8.7 Matching right

(a) Target must:

- (i) not, and must procure that its Representatives do not, enter into any legal binding agreement, arrangement or understanding to implement a Competing Proposal; and
- (ii) use its reasonable endeavours to ensure that no Target Director withdraws, changes or modifies his or her Recommendation or Voting Intention (as set out in clause 7.1) or publicly recommends, supports or endorses a Competing Proposal,

unless:

- (iii) the Competing Proposal is a Superior Proposal;
 - (iv) Target has provided Bidder with the material terms (including the price, conditions precedent and proposed timing) of, and the identity of the Third Party that made, the Competing Proposal;
 - (v) Target has given Bidder at least 5 Business Days after provision of all of the information referred to in clause 8.7(a)(iv) to provide a counter proposal to the Competing Proposal (**Bidder Proposal**); and
 - (vi) Bidder has not provided a Bidder Proposal which the Target Board, acting in good faith, after consulting with its financial and legal advisers, determines would be reasonably likely to provide an outcome that is no less favourable to or more favourable to Target Shareholders as a whole than the relevant Competing Proposal (having regard to matters including, but not limited to, consideration, conditionality, funding, certainty and timing) by the expiry of the period referred to in clause 8.7(a)(v).
- (b) Target's obligations under paragraph (a) apply in respect of each new Competing Proposal and any material variation or amendment to a Competing Proposal.
- (c) The Target Board must consider a Bidder Proposal provided before the expiry of the period referred to in clause 8.7(a)(v) and, if it determines that the Bidder Proposal would provide an outcome that is no less favourable to or more favourable to Target Shareholders as a whole than the relevant Competing Proposal in accordance with clause 8.7(a)(vi), then Target and Bidder must use their best endeavours to agree any amendments to this deed and the contents of the Scheme Booklet which are reasonably necessary to reflect the Bidder Proposal, and once agreed:
- (i) Target and Bidder must enter into an appropriate amending deed to give effect to those amendments; and

- (ii) Target must use its reasonable endeavours to ensure that the Target Board unanimously recommends the Bidder Proposal to Target Shareholders and does not recommend the applicable Competing Proposal,

in each case as soon as reasonably practicable.

9 Break Fee

9.1 Background

- (a) This clause 9 has been agreed to in circumstances where:
 - (i) Target believes that it and the Target Shareholders will derive significant benefits from the implementation of the Transaction;
 - (ii) Bidder has incurred and will further incur significant costs in connection with the Transaction, which will include significant opportunity costs if the Transaction is not implemented;
 - (iii) Bidder has requested that provision be made for the payment of the Break Fee by Target, and would not have entered into this deed had such provision not been made;
 - (iv) Target believes that it is appropriate to agree to pay the Break Fee to secure Bidder's entry into this deed; and
 - (v) Target has received separate legal advice in relation to this deed and the operation of this clause 9.
- (b) The parties acknowledge and agree that the costs referred to in clause 9.1(a)(ii) are of such a nature that they cannot be precisely quantified, but that the Break Fee is a genuine and reasonable pre-estimate of a proportion of the those costs.

9.2 Payment of Break Fee

Subject to clauses 9.4, 9.5, 9.6 and 9.7, Target must pay Bidder the Break Fee (without set-off or withholding) within 10 Business Days after receipt of a written demand from Bidder if any of the following events occur:

- (a) any Target Director:
 - (i) fails to make, withdraws, adversely changes or adversely modifies his or her Recommendation or Voting Intention; or
 - (ii) makes any public statement supporting or endorsing a Competing Proposal,
 other than:
 - (iii) as a direct result of or following the Independent Expert opining to the effect that the Transaction is not in the best interests of Target Shareholders except where the sole or dominant reason for the Independent Expert's opinion is the existence of a Superior Proposal; or
 - (iv) in circumstances where Target is entitled to terminate this deed under clause 12.1(b);

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- (b) at any time before the End Date or, if earlier, the date this deed is terminated under clause 12, a Competing Proposal is publicly announced by a Third Party and, within 9 months after that occurring, the Third Party or an associate of the Third Party completes a transaction of the kind referred to in paragraphs (b) or (c) of the definition of Competing Proposal;
- (c) Bidder becomes entitled to terminate this deed under clause 12.1(b); or
- (d) there is a breach or non-fulfilment of the Condition Precedent in clause 3.1(e) and Bidder has given Target a Termination Notice under clause 3.5 in respect of the breach or non-fulfilment of that Condition Precedent.

9.3 Nature of payment

The Break Fee is an amount to compensate Bidder for the following costs and expenses:

- (a) fees for legal and financial advice in planning and implementing the Transaction;
- (b) reasonable opportunity costs incurred in engaging in the Transaction or in not engaging in other alternative acquisitions or strategic initiatives;
- (c) costs of management and directors' time in planning and implementing the Transaction;
- (d) out of pocket expenses incurred in planning and implementing the Transaction;
- (e) costs associated with the financing arrangements in respect of the Transaction; and
- (f) any damage to Bidder's reputation associated with a failed transaction,

in each case, incurred by Bidder directly or indirectly as a result of having entered into this document and pursuing the Transaction.

9.4 Compliance with law

- (a) This clause 9 imposes obligations on Target only to the extent that the performance of all or part of those obligations:
 - (i) does not constitute unacceptable circumstances as declared by the Australian Takeovers Panel; and
 - (ii) is not determined to be unlawful or unenforceable by a court,
 subject to all proper avenues of appeal and review, judicial and otherwise, having been exhausted.
- (b) The parties must not make, or cause or permit to be made, any application to the Australian Takeovers Panel or a court for or in relation to a declaration or determination of a kind referred to in clause 9.4(a)(i) or 9.4(a)(ii).
- (c) If the Break Fee is paid to Bidder and clause 9.4(a)(i) or 9.4(a)(ii) applies, Bidder must refund the relevant part of the Break Fee (if any) to Target within 10 Business Days after receipt of a written demand from Target.

9.5 Payment conditions

- (a) Notwithstanding the occurrence of any event referred to in clause 9.2, the Break Fee will not be payable if the Scheme becomes Effective.
- (b) Target can only ever be liable to pay the Target Break Fee once.

9.6 Limitation of liability

Notwithstanding any other provision of this deed the maximum liability of Target under or in connection with this deed (including in respect of any breach by Target of the terms of this deed) is an amount equal to the Break Fee and in no event will the aggregate liability of Target under or in connection with this deed (including in respect of any breach by Target of the terms of this deed) exceed an amount equal to the Break Fee.

9.7 Exclusive remedy

A payment by Target in accordance with this clause 9 represents the sole and absolute liability of Target under or in connection with this deed and no further damages, fees, expenses or reimbursements of any kind will be payable by Target in connection with this deed.

10 Warranties

10.1 Bidder Warranties

Bidder represents and warrants to Target that each Bidder Warranty is true and correct.

10.2 Bidder's indemnity

Bidder agrees to indemnify Target and each of the Target Indemnified Parties against any Claim, action, damage, loss, liability, cost, expense or payment of whatever nature and however arising that Target or any of the other Target Indemnified Parties suffers, incurs or is liable for arising out of any breach of any of the Bidder Warranties.

10.3 Target Warranties

Subject to clauses 10.5 and 10.6, Target represents and warrants to Bidder that each Target Warranty is true and correct.

10.4 Target's indemnity

Subject to clauses 10.5 and 10.6, Target agrees with Bidder (in its own right and separately as trustee or nominee for each Bidder Indemnified Party) to indemnify Bidder and each of the Bidder Indemnified Parties against any Claim, action, damage, loss, liability, cost, expense or payment of whatever nature and however arising that Bidder or any of the other Bidder Indemnified Parties suffers, incurs or is liable for arising out of any breach of any of the Target Warranties.

10.5 Qualifications on Target Warranties

The Target Warranties and the Indemnities are each subject to matters that:

- (a) have been Fairly Disclosed in:
 - (i) the Disclosure Materials; and

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- (i) any announcement by Target to ASX within 5 years prior to the date of this deed, or Fairly Disclosed in a document lodged with ASIC by or on behalf of Target within 5 years prior to the date of this deed;
- (ii) the Disclosure Letter; or
- (b) are within the actual knowledge of Bidder as at the date of this deed, which for these purposes, will be taken to include (and be limited to) the facts, matters and circumstances of which the following individuals are actually aware as at the date of this deed:
 - (i) Geoff Hutchinson;
 - (ii) Tony Duthie; and
 - (iii) Matthew Robinson.

10.6 W&I Policy and limitations on Claims in connection with a Target Warranty or Indemnity

Notwithstanding any provision to the contrary in this deed:

- (a) Bidder agrees that it will not be entitled to make, and that it will not make, and irrevocably waives any right it may have to make, any Warranty or Indemnity Claim, except to the extent required to permit a Claim under the W&I Policy (if any) and then only on the basis that Target will have no liability whatsoever for such Claim.
- (b) Bidder covenants in favour of Target that, prior to the Scheme becoming Effective and subject to Bidder taking out a W&I Policy, it will:
 - (i) not do anything that causes any right of the insured under the W&I Policy not to have full force and effect upon its terms;
 - (ii) not novate or assign its rights under the W&I Policy other than where permitted by the terms of the W&I Policy; and
 - (iii) comply with the terms of the W&I Policy relating to deliverables required to satisfy conditions in the W&I Policy;
- (c) Bidder must ensure that any W&I Policy includes terms to the effect that:
 - (i) the insurer irrevocably waives its rights to bring any Claim against Target by way of subrogation, claim for contribution or otherwise; and
 - (ii) Bidder acknowledges that Target is entitled to directly enforce such waivers and that in respect of the waivers Bidder contracts in its own right and as agent of each Target Indemnified Party;
- (d) Bidder acknowledges and agrees that:
 - (i) there is no excess or any other amount payable by any member of the Target Group or a Target Indemnified Party under the W&I Policy (if any);
 - (ii) sub-paragraph (i) above applies regardless of whether or not it takes out a W&I Policy; and

- (iii) in the event that it takes out a W&I Policy, it will promptly provide Target with a copy of such policy; and
- (e) Target acknowledges and agrees that:
 - (i) Bidder is under no obligation to take out a W&I Policy; and
 - (ii) if Bidder takes out a W&I Policy and provides a copy of such policy to it, it shall keep the terms of such policy confidential in accordance with the Confidentiality Deed.

10.7 Survival of Warranties

Each Warranty:

- (a) is severable;
- (b) survives the termination of this deed; and
- (c) subject to this deed, is given with the intent that liability thereunder will not be confined to breaches which are discovered prior to the date of termination of this deed.

10.8 Survival of indemnities

Each indemnity in this deed (including those in clauses 10.2 and 10.4):

- (a) is severable;
- (b) is a continuing obligation;
- (c) constitutes a separate and independent obligation of the party giving the indemnity from any other obligations of that party under this deed; and
- (d) survives the termination of this deed.

10.9 Timing of Warranties

- (a) Each Warranty is given at the date of this deed and again at the Delivery Time, except that:
 - (i) the Bidder Warranty in paragraph (r) of Schedule 3 is given on each date from the date on which the Bidder Facility Agreements are entered into until the 8.00am on the Implementation Date;
 - (ii) the Bidder Warranty in paragraph (s) of Schedule 3 is only given at the date of this deed;
 - (iii) the Target Scheme Warranty in paragraph (j) of Schedule 4 is only given at the date of this deed; and
 - (iv) the Target Business Warranties are given on the Implementation Date.
- (b) For the purposes of clause 10.9(a), a Warranty shall be read with any necessary adjustments to the tense used in the Warranty.

Attachment B. Scheme Implementation Deed continued

10.10 Knowledge, belief and awareness of Target

Certain statements made in this deed (including certain Target Warranties) are given and made by Target only on the basis of its knowledge, belief or awareness. For the purposes of this deed, Target's knowledge, belief or awareness is limited to the actual knowledge, belief or awareness of the Specified Individuals and the knowledge, belief or awareness of which the Specified Individuals ought to have had, having made due and proper enquiries of each other and of their direct reports.

10.11 Tax indemnity

Subject to clause 10.6, Target indemnifies Bidder against, and must pay Bidder on demand the amount of, any losses, liabilities, damages, costs, charges or expenses attributable to:

- (a) Tax or Duty payable by a member of the Target Group (whether payable before, on or after implementation of the Scheme) as a result of a Tax Demand to the extent that such Tax or Duty relates to:
 - (i) any period, or part period, up to and including implementation of the Scheme; or
 - (ii) any act, transaction, event or omission, or any misstatement, executed, performed or made on or prior to implementation of the Scheme,

excluding any Duty payable by Bidder under clause 14.1;
- (b) the loss or limitation, including any reduction in the rate of use, of any tax attributes of the Target Group at the implementation of the Scheme due to prior changes in the control or ownership of the Target Group; or
- (c) Tax Costs incurred by or on behalf of a member of the Target Group to the extent that such Tax Costs arise from or relate to any of the matters for which Target may be liable under clauses 10.11(a) or 10.11(b),

in each case except to the extent that Target's liability is limited or qualified under clause 10.5.

11 Releases

11.1 Release of Target Indemnified Parties

- (a) Subject to clauses 11.1(b) and 11.1(d), Bidder releases any and all rights that it may have, and agrees with Target that it will not make any Claim, against any Target Indemnified Party as at the date of this deed and from time to time in connection with:
 - (i) any breach of any covenant, representation or warranty given by Target under this deed;
 - (ii) any disclosures containing any statement which is false or misleading (whether by omission or otherwise); or
 - (iii) any failure to provide information,

whether current or future, known or unknown, arising at common law, in equity, under statute or otherwise, except where a Target Indemnified Party has engaged in fraud or wilful misconduct.

- (b) Subject to clause 11.1(d), Bidder releases any and all rights that it may have, and agrees with Target that it will not make any Claim, against any Target Indemnified Party as at the date of this deed and from time to time in connection with any matter described in paragraphs (i), (ii) or (iii) of clause 11.1(a) in relation to the Target Business Warranties, whether current or future, known or unknown, arising at common law, in equity, under statute or otherwise.
- (c) To avoid doubt, nothing in clause 11.1(a) or clause 11.1(b) limits the rights of Bidder to terminate this deed under clause 12.
- (d) The releases in clauses 11.1(a) and 11.1(b) are subject to any restriction imposed by law and will be read down to the extent that any such restriction applies.
- (e) Target receives and holds the benefit of clauses 11.1(a) and 11.1(b) as trustee for the Target Indemnified Parties.

11.2 Release of Bidder Indemnified Parties

- (a) Subject to clause 11.2(b), Target releases any and all rights that it may have, and agrees with Bidder that it will not make any Claim, against any Bidder Indemnified Party as at the date of this deed and from time to time in connection with:
 - (i) any breach of any covenant, representation or warranty given by Bidder under this deed;
 - (ii) any disclosures containing any statement which is false or misleading (whether by omission or otherwise); or
 - (iii) any failure to provide information,

whether current or future, known or unknown, arising at common law, in equity, under statute or otherwise, except where a Bidder Indemnified Party has engaged in fraud or wilful misconduct. To avoid doubt, nothing in this clause 11.2 limits the rights of Target to terminate this deed under clause 12.

- (b) The release in clause 11.2(a) is subject to any restriction imposed by law and will be read down to the extent that any such restriction applies.
- (c) Bidder receives and holds the benefit of clause 11.2(a) as trustee for that Bidder Indemnified Parties.

11.3 Deeds of indemnity and insurance

- (a) Subject to the Scheme becoming Effective and the Transaction completing, Bidder undertakes in favour of Target and each other person who is a Target Indemnified Party that it will:
 - (i) for a period of 7 years from the Implementation Date, ensure that the constitutions of Target and each other member of the Target Group continue to contain such rules as are contained in those constitutions at the date of this deed that provide for each company to indemnify each of its current and previous directors and officers against any liability incurred by that person in

Attachment B. Scheme Implementation Deed continued

his or her capacity as a director or officer of the company to any person other than a member of the Target Group; and

- (ii) procure that Target and each member of the Target Group complies with any deeds of indemnity, access and insurance made by them in favour of their respective directors and officers from time to time and without limiting the foregoing, ensure that directors' and officers' run-off insurance cover for such directors and officers is maintained, for a period of 7 years from the retirement date of each director and officer.
- (b) Bidder acknowledges that notwithstanding any other provision of this deed, Target may, prior to the Implementation Date, enter into arrangements to secure the D&O Run-off Policy and that any actions to facilitate that insurance (subject to the premium limit prescribed in 5.5(a)(i)(D)) or in connection therewith will not be Prescribed Occurrences or breach any provision of this deed.
- (c) The undertakings contained in clause 11.3(a) are subject to any Corporations Act restriction and will be read down accordingly.
- (d) Target receives and holds the benefit of clause 11.3(a), to the extent it relates to the other Target Indemnified Parties as trustee for them.
- (e) The undertakings contained in clause 11.3(a) are given until the earlier of the end of the relevant period specified in clause 11.3(a) or the relevant Target Group Member ceasing to be part of the Target Group.

12 Termination

12.1 Termination by either party

- (a) Either party may terminate this deed in accordance with clause 3.5.
- (b) At any time before the Delivery Time, either party may terminate this deed if the other party commits a material breach of this deed, provided that:
 - (i) it has given written notice to the other party setting out the relevant circumstances and stating an intention to terminate this deed; and
 - (ii) the relevant circumstances have not been remedied within 10 Business Days from the time such notice is given (or any shorter period ending at 5:00pm on the Business Day before the Second Court Date).

Termination under this clause 12.1(b) will take effect at the expiry of the period referred to in clause 12.1(b)(ii).

12.2 Termination by Bidder

Bidder may terminate this deed, with immediate effect, at any time before the Delivery Time by notice in writing to Target if:

- (a) Target materially breaches clause 8;
- (b) in any circumstances (including where clause 7.2 applies), a Target Director:
 - (i) withdraws, adversely changes or makes any public statement that is inconsistent with a Recommendation or Voting Intention; or

- (ii) recommends, endorses or supports any Competing Proposal; or
- (c) in any circumstances, Target enters into any agreement or arrangement in relation to the implementation of a Competing Proposal.

12.3 Termination by Target

- (a) Without limiting Target's obligations under clauses 7.2 and 8.7, Target may terminate this deed, with immediate effect, by notice in writing to Bidder if, at any time before the Delivery Time, a majority of the Target Board publicly:
 - (i) withdraws, qualifies or adversely changes their Recommendation; or
 - (ii) recommends a Competing Proposal.
- (b) Target may terminate this deed, with immediate effect, by notice in writing to Bidder if the Independent Expert concludes in the Independent Expert's Report (or any update or variation to that report) that in its opinion the Transaction is not in the best interests of Target Shareholders.

12.4 Termination by written agreement

This deed may be terminated by the written agreement of the parties, on such terms as the parties agree.

12.5 Effect of termination

If this deed is terminated in accordance with this clause 12, this deed will cease to have force and effect without any liability or obligation on the part of any party, except that:

- (a) this clause 12.5 and clauses 1, 11, 13, 14, 15 and 16, and Schedule 1, will survive termination;
- (b) each party will retain any rights and remedies that accrued prior to termination, including any rights and remedies in respect of any past breach of this deed or (if applicable) in respect of the breach giving rise to termination; and
- (c) if Target is required to pay the Break Fee as a result of this deed being terminated, Target has paid Bidder the Break Fee.

13 Confidentiality

Each party acknowledges and agrees that nothing in this deed derogates from the rights and obligations of Bidder and Target under the Confidentiality Deed, provided that this deed prevails to the extent of any inconsistency with the Confidentiality Deed.

14 Duty, costs and expenses

14.1 Stamp duty

Bidder:

- (a) must pay all stamp duties and any related fines and penalties in respect of this deed or any transaction effected under it; and

Attachment B. Scheme Implementation Deed continued

- (b) indemnifies Target against any liability arising from or in connection with any failure by it to comply with clause 14.1(a).

14.2 Costs and expenses

Except as otherwise provided in this deed, each party must pay its own costs and expenses in connection with the negotiation, preparation, execution and performance of this deed and the proposed, attempted or actual implementation of the Transaction.

15 GST

- (a) In this clause 15, a word or expression defined in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth) has the meaning given to it in that legislation.
- (b) If a party makes a supply under or in connection with this deed in respect of which GST is payable, the consideration for the supply but for the application of this clause 15(b) (**GST exclusive consideration**) is increased by an amount (**Additional GST amount**) equal to the GST exclusive consideration multiplied by the rate of GST prevailing at the time the supply is made.
- (c) If a party must reimburse or indemnify another party for a loss, cost or expense, the amount to be reimbursed or indemnified is first reduced by the amount equal to any input tax credit the other party, or the representative member of the GST group of which the other party is a member, is entitled to with respect to the loss, cost or expense, and then increased in accordance with clause 15(b) if such amount is consideration for a taxable supply made under or in connection with this deed.
- (d) A party need not make a payment of the Additional GST amount until it receives a tax invoice or adjustment note (as appropriate) for the supply to which the payment relates.

16 General

16.1 Notices

- (a) A notice, consent, approval, waiver or other communication sent by a party under this deed (**Notice**) must be:
- (i) in writing;
 - (ii) sent by an authorised representative of the sender; and
 - (iii) marked for the attention of the person named below,
- and must be:
- (iv) left at, or sent by commercial courier to, the address set out below;
 - (v) sent by email to the address set out below.

Bidder

Attention: Geoff Hutchinson

Address: Level 31, 126 Phillip Street, Sydney New South Wales 2000,

Australia

Email: geoff.hutchinson@pep.com.au

with a copy (for information purposes only) to: tom.story@allens.com.au

Target

Attention: Matt Muscio, Chief Executive Officer

Address: Level 8, 15 Talavera Road, North Ryde, New South Wales
2113, Australia

Email: matt.muscio@lifehealthcare.com.au

with a copy (for information purposes only) to: jwilliamson-noble@gtlaw.com.au

- (b) Subject to clause 16.1(c), a Notice is taken to be received:
- (i) if sent by delivery, when it is delivered;
 - (ii) if sent by commercial courier, three days after dispatch;
 - (iii) if sent by email:
 - (A) when the sender receives an automated message confirming delivery;
or
 - (B) four hours after the time sent (as recorded on the device from which the email was sent), provided that the sender does not receive an automated message that the email has not been delivered,

whichever happens first.
- (c) If a Notice is taken to be received under clause 16.1(b):
- (i) before 9:00am on a Business Day, it will be taken to be received at 9:00am on that Business Day; or
 - (ii) after 5:00pm on a Business Day or on a non-Business Day, it will be taken to be received at 9:00am on the next Business Day.

16.2 Governing law and jurisdiction

- (a) This deed is governed by the laws of New South Wales.
- (b) Each party irrevocably submits to the non-exclusive jurisdiction of the courts of New South Wales and courts competent to hear appeals from those courts.

16.3 No representation or reliance

- (a) Each party acknowledges that no party (nor any person acting on its behalf) has made any representation or other inducement to it to enter into this deed, except for representations or inducements expressly set out in this deed and (to the maximum extent permitted by law) all other representations, warranties and conditions implied by statute or otherwise in relation to any matter relating to this deed, the circumstances surrounding the parties' entry into it and the transactions contemplated by it are expressly excluded.

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- (b) Each party acknowledges and confirms that it does not enter into this deed in reliance on any representation or other inducement by or on behalf of any other person, except for any representation or inducement expressly set out in this deed.

16.4 No merger

The rights and obligations of the parties do not merge on completion of the Transaction. They survive the execution and delivery of any assignment or other document entered into for the purpose of implementing the Transaction.

16.5 Waivers and consents

- (a) Failure to exercise or enforce, a delay in exercising or enforcing, or the partial exercise or enforcement of any right, power or remedy provided by law or under this deed by any party does not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement, of that or any other right, power or remedy provided by law or under this deed.
- (b) Any waiver or consent given by a party under this deed is only effective and binding on that party if it is given or confirmed in writing by that party.
- (c) No waiver of a breach of any term of this deed operates as a waiver of another breach of that term or of a breach of any other term of this deed.
- (d) Except where this deed expressly provides otherwise, where the consent of a party is required under this deed, such consent may be given or withheld in that party's absolute discretion.

16.6 Variation

This deed may only be varied by a document signed by or on behalf of each of the parties.

16.7 Assignment

Subject to the following sentence, a party may not assign, novate or otherwise transfer any of its rights or obligations under this deed without the prior written consent of the other party. On and from the date on which the Bidder draws down its financing and deposits some or all of those proceeds into the trust account operated by Target in accordance with clause 4.2(b), Bidder may assign this deed for collateral security purposes to any lender to Bidder or its affiliates solely for the purpose of obtaining finance or providing security in connection with the Transaction, provided that no assignment to any such lender shall affect Bidder's obligations under this deed or increase Target's obligations under this deed.

16.8 Further action

Each party will do all things and execute all further documents necessary to give full effect to this deed.

16.9 Entire agreement

This deed supersedes all previous agreements, understandings, negotiations or deeds in respect of its subject matter and embodies the entire agreement between the parties.

16.10 Severability

If the whole or any part of a provision of this deed is void, unenforceable or illegal in a jurisdiction, it is severed for that jurisdiction but only to the extent that it is void, unenforceable or illegal and provided that it will have full force and effect in any other jurisdiction. Where a provision (or any part thereof) is severed in a jurisdiction, the remainder of this deed will have full force and effect in that (and any other) jurisdiction.

This clause 16.10 does not apply to any severance that alters the basic nature of this deed or is contrary to public policy.

16.11 Counterparts

This deed may be executed in any number of counterparts. All counterparts together will be taken to constitute one instrument.

Attachment B. Scheme Implementation Deed continued

Schedule 1 Dictionary

1 Dictionary

Accounting Standards means:

- (a) the requirements of the Corporations Act about the preparation of financial reports; and
- (b) the accounting standards and any authoritative interpretations issued by the Australian Accounting Standards Board.

Accounts means the consolidated financial statements (including the notes thereto) contained in the financial report in respect of the Target Group for the period to the Accounts Date.

Accounts Date means 30 June 2017.

Additional GST amount has the meaning given in clause 15(d).

Agreed Public Announcement means an announcement in a form agreed between Bidder and Target prior to execution of this deed, to be released by each of Bidder and Target pursuant to clause 6(a).

Alternative Incentive Arrangements has the meaning given in clause 4.4(b).

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given in section 12 of the Corporations Act.

ASX means ASX Limited (ABN 98 008 624 691) or, where the context requires, the financial market operated by it known as the "Australian Securities Exchange".

Bidder Board means the board of directors of Bidder.

Bidder Director means a director of Bidder.

Bidder Facility Agreements means the debt facility agreements to be entered into pursuant to the Debt Commitment Letter.

Bidder Group means, collectively, Bidder and each of its Related Bodies Corporate.

Bidder Indemnified Party means a director, officer, employee or adviser of a member of the Bidder Group.

Bidder Information means information regarding the Bidder Group provided by or on behalf of Bidder to Target or its Representatives in writing for inclusion in a Scheme Booklet.

Bidder Warranty means a representation and warranty of Bidder set out in Schedule 3.

Break Fee means an amount equal to 1% of the aggregate Scheme Consideration payable for all the Target Shares under the Scheme (before any reduction for the amount of any Permitted Dividend(s) paid by Target in accordance with clause 4.3(b)).

Business means the business and activities of the Target Group as conducted as at the date of this deed.

Business Day has the meaning given in the Listing Rules.

Claim means any allegation, debt, cause of action, liability, claim, proceeding, suit or demand of any nature howsoever arising and whether present or future, fixed or unascertained, actual or contingent whether at law, in equity, under statute or otherwise.

Competing Proposal means any proposal, offer, agreement, arrangement or transaction (including by way of takeover bid or scheme of arrangement) which, if entered into or completed substantially in accordance with its terms, would result in a Third Party (either alone or together with one or more Associates) directly or indirectly:

- (a) acquiring an interest (including an economic interest by way of an equity swap, contract for difference or similar transaction or arrangement) or a Relevant Interest in more than 20% of the Target Shares (other than as a custodian, nominee or bare trustee);
- (b) acquiring or becoming the holder of all or a substantial part of the business or assets of the Target Group ; or
- (c) acquiring Control of or merging with Target or any other material member of the Target Group, whether by takeover bid, scheme of arrangement, shareholder approved acquisition, capital reduction, share buy-back or repurchase, sale or purchase of assets or interests therein, joint venture, reverse takeover bid, dual-listed company structure, recapitalisation, establishment of a new holding company for the Target Group or other synthetic merger, or any other means.

Condition Precedent means a condition set out in clause 3.1.

Conditional Vesting Notice has the meaning given in clause 4.4(b).

Confidentiality Deed means the confidentiality deed between Target and PEP Services Pty Limited (ACN 165 732 347) in relation to the Transaction, dated 22 November 2017.

Consolidated Group means a “consolidated group” or a “MEC group” as those terms are defined in section 995-1(1) of the ITAA 1997.

Consultation Notice has the meaning given in clause 3.5(a).

Control has the meaning given in section 50AA of the Corporations Act.

Corporations Act means the *Corporations Act 2001* (Cth).

Corporations Regulations means the *Corporations Regulations 2001* (Cth).

Court means the Federal Court of Australia or such other court of competent jurisdiction under the Corporations Act as agreed in writing between Bidder and Target.

Court Documents means the documents required for the purposes of a Court Hearing, including (as applicable) originating process, affidavits, submissions and draft minutes of Court orders.

Court Hearing means the First Court Hearing or Second Court Hearing (as applicable), and **Court Hearings** means both of them.

Attachment B. Scheme Implementation Deed continued

D&O Run-off Policy has the meaning given to that term in clause 5.5(a)(i)(E).

Debt Commitment Letter means the credit-approved, executed commitment letter and accompanying term sheet from certain financial institutions addressed to Bidder and dated 29 January 2018.

December 2017 Management Accounts means document 07.02.06 in the Online Data Room.

Deed Poll means the deed poll to be entered into by Bidder in the form of Attachment C.

Delivery Time means, in relation to the Second Court Date, 2 hours before the commencement of the hearing or if the commencement of the hearing is adjourned, the commencement of the adjourned hearing, of the court to approve the Scheme in accordance with section 411(4)(b) of the Corporations Act is due to commence.

Discloser has the meaning given in clause 3.3(f).

Disclosure Materials means the information in relation to the Target Group disclosed in writing by or on behalf of Target to Bidder and its Representatives prior to the date of this deed in:

- (a) the Online Data Room; and
- (b) any written answers to requests for further information made by Bidder and its Representatives as contained in the Online Data Room.

Disclosure Letter means the letter containing disclosures against the Target Warranties addressed to Bidder and delivered to it on or before signing of this deed and includes all of its schedules and annexures (if any).

Disputing Action means, in respect of a Tax Demand, any action to cause the Tax Demand to be withdrawn, reduced or postponed or to avoid, resist, object to, defend, appear against or compromise the Tax Demand and any judicial or administrative proceedings arising out of that action.

Duty means any stamp, transaction or registration duty or similar charge imposed by any Government Agency and includes any interest, fine, penalty, charge or other amount imposed in respect of any of them, but excludes any Tax.

Effective means the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act, in relation to the Scheme.

Effective Date means the date on which a Scheme becomes Effective.

Employee means an employee of a Target Group Company.

Encumbrance means a mortgage, charge, pledge, lien, encumbrance, security interest, title retention, preferential right, trust arrangement, contractual right of set-off or any other security agreement or arrangement in favour of any person, whether registered or unregistered, including any Security Interest.

End Date means 27 July 2018 or such later date as Bidder and Target agree in writing.

Equity Commitment Letter means the binding, executed commitment letter dated 31 January 2018 addressed to Bidder and others from the PEP Parties and agreed to and accepted by Bidder.

Escrowed Target Shares means the Target Shares which are the subject of voluntary escrow arrangements under the Oceania Escrow Deeds.

Exclusivity Period means the period from the date of this deed to the earlier of:

- (a) the termination of this deed under clause 12; and
- (b) the End Date.

Exercise Period has the meaning given in clause 4.4(b)(ii)(A).

Fairly Disclosed means, in relation to a fact, matter, circumstance or information, disclosed in sufficient detail so as to enable a reasonable and sophisticated recipient of the relevant information who is experienced in transactions similar to the Transaction to identify the nature and scope of that fact, matter, circumstance or information.

FATA means the *Foreign Acquisitions and Takeovers Act 1975* (Cth).

Financial Adviser means any financial adviser retained by Target in connection with the Scheme or a Competing Proposal.

First Court Date means the first day on which an application made to the Court for orders under section 411(1) of the Corporations Act directing Target to convene the Scheme Meeting is heard (or if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard) with such hearing being the **First Court Hearing**.

Government Agency means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal, statutory or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any state, or any other federal, state, provincial, local or other government, whether foreign or Australian. It also includes any self-regulatory organisation established under statute or otherwise discharging substantially public or regulatory functions (including ASIC and the Takeovers Panel).

GST has the meaning given in the GST Law.

GST Act means the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

GST Law has the same meaning as in the GST Act.

GST exclusive consideration has the meaning given in clause 15(b).

Head Company has the meaning given by section 995-1 of the ITAA 1997.

Headcount Test means the requirement under section 411(4)(a)(ii)(A) of the Corporations Act that the resolution to approve the Scheme at the Scheme Meeting is passed by a majority in number of Target Shareholders present and voting, either in person or by proxy.

Implementation Date means the fifth Business Day after the Record Date or such other day as the parties agree in writing.

Attachment B. Scheme Implementation Deed continued

Incentive Securityholder has the meaning given in clause 4.4(b).

Indebtedness means any debt or other monetary liability (whether actual or contingent), together with all interest, fees and penalties accrued thereon, in respect of moneys borrowed or raised or any financial accommodation including under or in respect of any:

- (a) bill, bond, debenture, note or similar instrument;
- (b) acceptance, endorsement or discounting arrangement;
- (c) guarantee or letter of credit;
- (d) finance or capital lease;
- (e) swap, option, hedge, forward, futures or similar transaction;
- (f) redeemable share or security;
- (g) deferral of a purchase price or other payment in relation to the acquisition of any asset or service;
- (h) obligation to deliver assets or services paid for in advance by a financier, or any guarantee of the obligations of another person with respect to the foregoing;
- (i) all recourse and non-recourse liabilities and other liabilities (whether conditional or unconditional, present or future) arising from any transactions related to the assignment or securitisation of receivables for financing purposes to any third party, including all factoring agreements and similar agreements executed for the purpose of obtaining financing and including any amount raised pursuant to such agreements but which, in accordance with Accounting Standards, have not otherwise been recognised on the balance sheet as a liability; or
- (j) all interest and non-interest bearing loans or other financing liabilities or obligations, including overdrafts and any other liabilities in the nature of borrowed money (whether secured or unsecured).

Indemnities means the indemnity in clause 10.4 and the indemnity in clause 10.11, each of them being an **Indemnity**.

Independent Expert means the independent expert to be appointed by Target to prepare the Independent Expert's Report in accordance with clause 5.1(a).

Independent Expert's Report means the report in respect of the Scheme to be prepared and issued by the Independent Expert for inclusion in the Scheme Booklet.

Insolvency Event means, in relation to any entity:

- (a) the entity resolving that it be wound up or a court making an order for the winding up or dissolution of the entity;
- (b) a liquidator, provisional liquidator, administrator, receiver, receiver and manager or other insolvency official being appointed to the entity or in relation to the whole, or a substantial part, of its assets;
- (c) the entity executing a deed of company arrangement;

- (d) the entity is or becomes unable to pay its debts when they fall due within the meaning of the Corporations Act (or, if appropriate, legislation of its place of incorporation) or is otherwise presumed to be insolvent under the Corporations Act unless the entity has, or has access to, committed financial support from its parent entity such that it is able to pay its debts; or
- (e) the entity being deregistered as a company or otherwise dissolved.

Intellectual Property Rights means all intellectual and industrial property rights of whatever nature throughout the world conferred under statute, common law or equity, whether existing now or at any time in the future, and includes rights in respect of or in connection with trade marks, service marks (including goodwill in those marks), business names, trade names, domain names, designs, inventions (including patents), business processes or methods, circuit layouts, copyright and analogous rights, rights to have confidential information, know-how and similar intellectual property and industrial rights, whether or not registered or registrable, and includes pending applications for such rights and the right to apply for or renew the registration of such rights.

ITAA 1997 means the Income Tax Assessment Act 1997 (Cth).

Listing Rules means the official listing rules of ASX.

Material Adverse Change means change, event, circumstance, occurrence or matter that occurs, is announced, is disclosed or otherwise becomes known to Bidder or the Target Board (whether it becomes public or not) which (whether individually or when aggregated with all such changes, events, circumstances, occurrences or matters) has had or is reasonably likely to have:

- (a) the effect of a diminution in the consolidated earnings before interest, tax, depreciation and amortisation of the Target Group, taken as a whole, by at least \$3,000,000 (on an annualised basis) for the financial years ending 30 June 2018 or 30 June 2019 for the Target Group against what it would reasonably be expected to have been (without taking into account any forecast increase in earnings derived from sources other than the Target Group's current sources of earnings), but for that change, event, circumstance, occurrence or matter; or
- (b) an increase in the consolidated Net Indebtedness of the Target Group by at least \$5 million or more compared to the amounts provided for in the December 2017 Management Accounts,

provided that any events which have occurred after the date of this deed but prior to Delivery Time and which have a positive effect on the consolidated earnings before interest, tax, depreciation and amortisation of the Target Group are taken into account in calculating whether the threshold in paragraph (a) has been reached, and in each case other than changes, events, occurrences or matters:

- (c) expressly required or permitted by this deed or the Scheme;
- (d) Fairly Disclosed to Bidder in the Disclosure Materials;
- (e) Fairly Disclosed in any announcement by Target to ASX within 5 years prior to the date of this deed, or Fairly Disclosed in a document lodged with ASIC by or on behalf of Target within 5 years prior to the date of this deed;
- (f) consented to in writing by Bidder; or
- (g) which arise from:

Attachment B. Scheme Implementation Deed continued

- (i) changes in exchange rates or interest rates;
- (ii) general economic, political or business conditions, including material adverse changes or major disruptions to, or fluctuations in, domestic or international financial markets, and acts of terrorism, war (whether or not declared), natural disaster or the like; or
- (iii) changes to accounting standards, laws or policies of a Government Agency in Australia or New Zealand,

but excluding any change, event, circumstance, occurrence or matter which has a disproportionate effect on the Target Group, taken as a whole, as compared to other participants in the industries in which the Target Group operates.

Management Accounts means the unaudited historical financial information of the Target Group as set out in folders 02.01, 02.02, 07.01, and 07.02 of the Online Data Room.

Material Form includes any form (whether visible or not) of storage from which reproductions can be made.

MEC Group has the meaning given by section 995-1 of the ITAA 1997.

Net Indebtedness means Indebtedness less the amount of cash, cash equivalents and short term interest bearing deposits, where the terms "cash" and "cash equivalents" are as defined in the Accounting Standards.

Non-public Information has the meaning given in clause 8.1(d).

Notice has the meaning given in clause 16.1(a).

Oceania Escrow Deeds means the escrow deeds dated on or about 31 July 2017 between certain Target Shareholders and Target.

Online Data Room means the documents and information (including, for the avoidance of doubt, information and responses to questions or requests for information from the Bidder and its Representatives provided by the Target or its Representatives via the "Q&A" function) contained in the Ansarada online data room entitled "Project Darwin" to which Bidder and its Representatives were given access prior to the date of this deed, an electronic copy of which has been provided to Bidder by Target or its Representatives on or before the date of this deed.

Option Holder means a person who holds Target Options.

PEP Parties means each of Pacific Equity Partners Fund V L.P., Pacific Equity Partners Fund V-A L.P., Pacific Equity Partners Fund V-B L.P., Pacific Equity Partners V-C L.P., PEP Investment Pty Limited, Eagle Coinvestment Pty Limited and Pacific Equity Partners Investors Administration Pty Ltd.

Performance Rights Holder means a person who holds Target Performance Rights.

Permitted Dividend means a Permitted Interim Dividend or a Permitted Special Dividend.

Permitted Encumbrance means:

- (a) a charge or lien arising in favour of a Government Agency by operation of statute in the ordinary course of the business of the Target Group;
- (b) any mechanics', workmen's or other like lien arising in the ordinary course of the business of the Target Group;
- (c) any retention of title arrangement or purchase money security interest (including arising from any lease of goods or consignment arrangement), in each case, arising in favour of a trade supplier to the business of the Target Group in the ordinary course of that business;
- (d) a PPS Lease (as defined in the *Personal Property Securities Act 2009* (Cth));
- (e) any security interest within the meaning of section 12(3) of the *Personal Property Securities Act 2009* (Cth);
- (f) any Encumbrance registered by Bidder;
- (g) any Encumbrance created in the ordinary course of business after the execution of this deed that does not secure the payment of financial indebtedness;
- (h) any Encumbrance approved in writing by Bidder; and
- (i) any Encumbrance relating to any specific financial indebtedness that is agreed by Bidder as not being paid out in connection with implementation of the Scheme.

Permitted Interim Dividend means an interim dividend in respect of the financial half-year ending 31 December 2017 (which may be franked) declared or determined by Target Board, provided that the maximum amount paid or payable by Target per Target Share in respect of such dividend is A\$0.075 per Target Share.

Permitted Special Dividend means a special dividend (which may be franked) declared or determined by Target Board, provided that the maximum amount paid or payable by Target per Target Share in respect of such dividend is A\$0.18 per Target Share.

Personal Information means information or an opinion (including information or an opinion forming part of a database), whether true or not, and whether recorded in a tangible form or not, about an individual whose identity is apparent, or can reasonably be ascertained, from the information or opinion.

Prescribed Occurrence means the occurrence of any of the following:

- (a) Target converting all or any of its shares into a larger or smaller number of shares;
- (b) any member of the Target Group resolving to reduce its share capital in any way or reclassifying, combining, splitting or redeeming any of its shares;
- (c) any member of the Target Group:
 - (i) entering into a buy-back agreement; or
 - (ii) resolving to approve the terms of a buy-back agreement under the Corporations Act;
- (d) any member of Target Group creates any new share based incentive plan (or phantom based incentive plan) or scheme, modifies the Target LTIP Rules, or issues any offers to participate in the Target LTIP;

Attachment B. Scheme Implementation Deed continued

- (e) any member of the Target Group issuing shares, or granting a performance right or an option over its shares, or agreeing to make such an issue or grant such a performance right or an option other than an issue of shares pursuant to the granting of (or in satisfaction of) a Target Option or Target Performance Right under the Target LTIP;
- (f) any member of the Target Group issuing or agreeing to issue securities convertible into shares (including any issue or agreement to issue performance rights) or debt securities other than the granting of (or in satisfaction of) a Target Option or Target Performance Right under the Target LTIP;
- (g) any member of the Target Group making, determining as payable or declaring any distribution or incurring a liability to make or pay a dividend (whether by way of dividend, capital reduction or otherwise and whether cash or in specie), other than a Permitted Dividend;
- (h) any member of the Target Group disposing, or agreeing to dispose, of the whole or a substantial part of its business or property (whether by way of a single transaction or series of related transactions);
- (i) any member of the Target Group ceasing, or threatening to cease, the whole or a material part of its business;
- (j) any member of the Target Group creating, granting or agreeing to any Encumbrance over any of the assets of any member of the Target Group, other than a lien which arises by operation of law, legislation or arises in the ordinary course of the Target Group's business;
- (k) any member of the Target Group resolving that it be wound up or the making of an application or order for the insolvent winding up or dissolution of a member of the Target Group other than where the application or order (as the case may be) is set aside within 14 days;
- (l) a liquidator or provisional liquidator of a member of the Target Group being appointed;
- (m) a court making an order for the winding up of a member of the Target Group;
- (n) an administrator of a member of the Target Group being appointed under the Corporations Act;
- (o) any member of the Target Group is or becomes unable to pay its debts when they fall due within the meaning of the Corporations Act or is otherwise presumed to be insolvent under the Corporations Act unless that company has, or has access to, committed financial support from its parent entity such that it is able to pay its debts;
- (p) a member of the Target Group making any change to its constitution;
- (q) any member of the Target Group executing a deed of company arrangement;
- (r) a receiver, or a receiver and manager, being appointed in relation to the whole, or a substantial part, of the property of a member of the Target Group;
- (s) any member of the Target Group being deregistered as a company or otherwise dissolved other than on a solvent basis;

- (t) Target Shares cease to be quoted on ASX;
- (u) any member of the Target Group:
 - (i) acquiring or disposing, or agreeing to acquire or dispose;
 - (ii) agreeing to acquire, lease or dispose of; or
 - (iii) offers, proposes, announces a bid or tenders for the acquisition, leasing or disposal of,

any business or property of any business, assets or entity (whether by way of a single transaction or series of related transactions) the value of which exceeds \$3,000,000 (individually or in aggregate);
- (v) any member of the Target Group incurring or entering into any new commitments involving the purchase of plant and equipment or other capital expenditure of more than \$3,000,000 (individually or in aggregate);
- (w) any member of the Target Group entering into a new contract or materially varying or terminating any existing contract that generates, or is expected to generate, or entering into or materially varying any supply agreement under which the Target Group generates, or is expected to generate, in each case, \$2,000,000 (individually or in aggregate) or more in gross annual revenue or expenditure for the Target Group; or
- (x) authorises, agrees, offers, commits or resolves to do any of the matters set out above in this definition, whether conditionally or otherwise,

but does not include any occurrence:

- (y) required or permitted by this deed or the Scheme or the transactions contemplated by either;
- (z) specifically agreed to in writing by Bidder (such agreement not to be unreasonably withheld or delayed);
- (aa) Fairly Disclosed in the Disclosure Materials; or
- (bb) Fairly Disclosed in an announcement made by Target to ASX within 5 years prior to the date of this deed, or Fairly Disclosed in a document lodged with ASIC by or on behalf of Target within 5 years prior to the date of this deed.

Privacy Laws means the *Privacy Act 1988* (Cth), the Australian Privacy Principles contained in Schedule 1 to the *Privacy Act 1988* (Cth), and all other applicable federal, state, local and foreign laws (only as they apply to a member of the Target Group) pertaining to the collection, storage, use, disclosure and transfer of Personal Information.

Recipient has the meaning given in clause 3.3(f).

Recommendation has the meaning given in clause 7.2(a).

Record Date means 7:00pm on the fifth Business Day after the Effective Date of the Scheme, or such other date after the Effective Date as Bidder and Target agree in writing.

Records means originals and copies, in any Material Form, of all books, files, reports, records, correspondence, documents and other material of, relating to or used in

Attachment B. Scheme Implementation Deed continued

connection with, and which are in the control or possession of, the Target Group Companies and includes:

- (a) minute books, statutory books and registers, books of account and copies of taxation returns;
- (b) sales literature, market research reports, brochures and other promotional material (including printing blocks, negatives, sound tracks and associated material);
- (c) all sales and purchasing records, contracts, designs and working papers;
- (d) spreadsheets, financial models and other business, financial or technical tools, records and documents;
- (e) all trading and financial records; and
- (f) lists of all regular suppliers and customers.

Regulator's Draft has the meaning given in clause 5.1(e)(i).

Regulatory Matter has the meaning given in clause 3.3(e)(ii)(A).

Related Body Corporate has the meaning given in section 50 of the Corporations Act.

Relevant Employee means the Chief Executive Officer, the Chief Financial Officer or the General Manager, Corporate Development of Target or any other employee of the Target Group who participates in the Target LTIP.

Relevant Interest has the meaning given in sections 608 and 609 of the Corporations Act.

Representative means, in respect of a party, an employee, agent, officer, director, adviser or financier of that party (or of a Related Body Corporate of that party), and, in the case of advisers and financiers, includes employees, officers and agents of the adviser or financier (as applicable).

RG 60 means Regulatory Guide 60 issued by ASIC and dated September 2011.

Scheme means a members' scheme of arrangement under Part 5.1 of the Corporations Act between Target and the Scheme Shareholders, in the form of Attachment B, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act.

Scheme Booklet means the explanatory statement in respect of the Scheme to be prepared by Target pursuant to section 412 of the Corporations Act and in accordance with clause 5.1(b), and to be despatched to Target Shareholders in accordance with clause 5.1(k), which will contain (among other things) the Independent Expert's Report (or a concise version of that report), a notice of meeting in respect of the Scheme Meeting and a proxy form.

Scheme Consideration means, in respect of each Scheme Share, A\$3.75, less the aggregate amount per Target Share of any Permitted Dividend(s) paid in accordance with clause 4.3.

Scheme Meeting means the meeting of Target Shareholders ordered by the Court to be convened at the First Court Hearing.

Scheme Share means a Target Share held by a Scheme Shareholder as at the Record Date.

Scheme Shareholder means a Target Shareholder as at the Record Date.

Second Court Date means the first day on which an application made to the Court for orders under section 411(4)(b) of the Corporations Act approving the Scheme is heard (or if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard), with such hearing being the **Second Court Hearing**.

Security Interest has the meaning given in section 12 of the *Personal Property Securities Act 2009* (Cth).

Sensitive Confidential Information has the meaning given in clause 3.3(f).

Share Register means the register of Target Shareholders maintained in accordance with the Corporations Act.

Specified Individuals means the following individuals:

- (a) Matt Muscio;
- (b) Dean Taylor; and
- (c) Kristine James.

Standard Tax Condition means any tax-related conditions which are in the form, or substantially in the form, of those set out in Part A of Attachment A of FIRB Guidance Note 47 on 'Tax Conditions' (in the form released on 24 November 2016).

Superannuation Guarantee Charge means a charge levied against an employer for failing to make the minimum level of contribution to superannuation funds on behalf of its employees prescribed by the *Superannuation Guarantee (Administration) Act 1992* (Cth).

Superior Proposal means a bona fide, written Competing Proposal received after the date of this deed which in the determination of the Target Board acting in good faith in order to satisfy what the Target Board considers to be its fiduciary or statutory duties (after having obtained written advice from their legal and financial advisers):

- (a) is capable of being valued and completed in accordance with its terms, taking into account all financial, regulatory and other aspects of the proposal, including the ability of the proposing party to consummate the transactions contemplated by the Competing Proposal; and
- (b) would, if completed substantially in accordance with its terms, be reasonably likely to result in a transaction more favourable to Target Shareholders as a whole than the Transaction, taking into account all of the terms and conditions of the Competing Proposal, including consideration, conditionality, funding, certainty and timing.

Attachment B. Scheme Implementation Deed continued

Takeovers Panel means the Takeovers Panel constituted under the *Australian Securities and Investments Commission Act 2001* (Cth).

Target Board means the board of directors of Target.

Target Business Warranty means a representation and warranty of Target set out in Schedule 5.

Target Consolidated Group means the Consolidated Group of which Target is the Head Company.

Target Director means a director of Target.

Target Group means, collectively, Target and each of its Related Bodies Corporate, and **Target Group Company** means any one of them.

Target Group Budget has the meaning given to such term in 5.4(a)(iv).

Target GST Group means the GST Group (as defined in the GST Act) of which Target is the representative member.

Target Indemnified Party means a director, officer, employee or adviser of a member of the Target Group.

Target Information means all the information in a Scheme Booklet other than the Bidder Information and the Independent Expert's Report.

Target LTIP means the long term equity incentive plans of Target in existence as at the date of this deed.

Target LTIP Rules means the rules governing the Target LTIP, a copy of which is disclosed in the Online Data Room at document 01.01.02).

Target SSSP means the Salary Sacrifice Share Plan of Target, which is governed by the Salary Sacrifice Share Plan Rules disclosed in document 04.03.01 of the Online Data Room.

Target SSSP Share means a Target Share issued to a former or current Employee under the Target SSSP.

Target Option means an option to be issued a Target Share issued under the Target LTIP, with such options on issue as at the date of this agreement being those set out in Schedule 2.

Target Performance Right means a performance right issued under the Target LTIP, with such performance rights on issue as at the date of this agreement being those set out in Schedule 2.

Target Registry means Computershare Investor Services Pty Limited (ACN 078 279 277).

Target Scheme Warranty means a representation and warranty of Target set out in Schedule 4.

Target Share means a fully paid ordinary share in the capital of Target.

Target Shareholder means a holder of one or more Target Shares, as shown in the Share Register.

Target Warranties means the Target Business Warranties and the Target Scheme Warranties.

Tax means any tax, levy, charge, impost, fee, deduction, goods and services tax (including GST), compulsory loan or withholding, that is assessed, levied, imposed or collected by any Government Agency and includes any interest, fine, penalty, charge, fee or any other amount imposed on, or in respect of any of the above, but excludes Duty.

Tax Act means the *Income Tax Assessment Act 1936* (Cth) or the ITAA 1997, or both as the context requires.

Tax Costs means all costs and expenses incurred in:

- (a) managing an inquiry; or
- (b) conducting any Disputing Action in relation to a Tax Demand.

Tax Demand means:

- (a) a demand or assessment from a Government Agency requiring the payment of any Tax or Duty for which Target may be liable under this deed;
- (b) any document received from a Government Agency administering any Tax or Duty assessing, imposing, claiming or indicating an intention to claim any Tax or Duty;
- (c) a notice to a contributing member of a Consolidated Group given under section 721-15(5) of the ITAA 1997;
- (d) a notice to a member of a GST Group (as defined in the GST Act), in relation to section 444-90(1) of Schedule 1 to the TAA; and
- (e) a lodgement of a Tax or Duty return or a request for an amendment to a lodged Tax or Duty return.

Tax Laws means any law relating to either Tax or Duty as the context requires.

Tax Sharing Agreement means the agreement contemplated by section 721-25 of the ITAA 1997 and entered into between the Target and each of the subsidiary members (within the meaning of section 995-1 of the ITAA 1997) of the Target Consolidated Group as most recently executed by the parties thereto (and as amended from time to time).

Terminating Party has the meaning given in clause 3.5.

Termination Event has the meaning given in clause 3.5.

Termination Notice has the meaning given in clause 3.5.

Third Party means a person other than Bidder and its Associates.

Timetable means the indicative timetable for the implementation of the Transaction set out in Attachment A.

Top 10 Supplier Agreements means each agreement set out in 07.03 of the Online Data Room.

Attachment B. Scheme Implementation Deed continued

Trading Day has the meaning given in the Listing Rules.

Transaction means the acquisition of Target by Bidder by means of the Scheme.

Transaction Financing has the meaning given to that term in clause 5.9(b).

Treasurer means the Treasurer of Australia.

Voting Intention has the meaning given in clause 7.1(b).

Warranty means a Bidder Warranty or a Target Warranty.

Warranty or Indemnity Claim means a Claim for breach of a Target Warranty or under an Indemnity.

Work Safety Authority means a Government Agency with responsibility for the investigation and enforcement of work health and safety legislation, amongst other functions.

W&I Policy means any policy of warranty and indemnity insurance issued to Bidder after the date of this deed in respect of some or all of the Target Warranties.

2 Interpretation

In this deed, the following rules of interpretation apply unless the contrary intention appears.

- (a) Headings are for convenience only and do not affect the interpretation of this deed.
- (b) The singular includes the plural and vice versa.
- (c) Words that are gender neutral or gender specific include each gender.
- (d) Where a word or phrase is given a particular meaning, other parts of speech and grammatical forms of that word or phrase have corresponding meanings.
- (e) The words “include”, “including”, “such as”, “to avoid doubt” and similar expressions are not words of limitation and do not limit what else might be included.
- (f) A reference to:
 - (i) a person includes a natural person, partnership, joint venture, government agency, association, corporation or other body corporate or entity (as that term is defined in section 64A of the Corporations Act);
 - (ii) a thing (including a chose in action or other right) includes a part of that thing;
 - (iii) a party includes its successors and permitted assigns;
 - (iv) a document includes all amendments or supplements to that document;
 - (v) a clause, term, party, schedule or attachment is a reference to a clause or term of, or a party, schedule or attachment to, this deed (as applicable);
 - (vi) this deed includes all schedules and attachments to it;

- (vii) a law includes a constitutional provision, treaty, decree, convention, statute, regulation, ordinance, by-law, judgment, rule of common law or equity or a Listing Rule and is a reference to that law as amended, consolidated or replaced;
 - (viii) an agreement (other than this deed) includes an undertaking or legally enforceable arrangement or understanding (whether or not in writing);
 - (ix) a time period includes the date referred to as that on which the period begins and the date referred to as that on which the period ends; and
 - (x) a monetary amount is in Australian dollars;
- (g) An agreement on the part of two or more persons binds them jointly and severally.
- (h) When the day on which something must be done is not a Business Day, that thing must be done on the following Business Day.
- (i) In determining the time of day, where relevant to this deed, the time of day is:
- (i) for the purposes of giving or receiving Notice, the time of day where the party receiving Notice is located; or
 - (ii) for any other purpose under this deed, the time of day in the place where the party required to perform an obligation is located.
- (j) No rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of this deed or any part of it.

Attachment B. Scheme Implementation Deed continued

Schedule 2 Target capital structure

Class of security	Number of securities on issue as at the date of this deed
Securities quoted on ASX	
Ordinary shares	44,933,172
Securities not quoted on ASX	
Target Options	2,673,327
Target Performance Rights	147,122

Schedule 3 Bidder Warranties

- (a) **(Validly existing)** Bidder is a validly existing corporation registered under the laws of its place of incorporation.
- (b) **(Power)** Bidder has full corporate power and lawful authority to execute, deliver and perform this deed and the Deed Poll.
- (c) **(Corporate action)** Bidder has taken all necessary corporate action to authorise the entry into this deed and has taken or will take all necessary corporate action to authorise the performance of this deed and the Deed Poll.
- (d) **(Binding)** This deed is a valid and binding obligation on Bidder, enforceable in accordance with its terms.
- (e) **(Performance)** The execution and performance by Bidder of this deed did not and will not violate or breach any provision of:
 - (i) a law or treaty or a judgment, ruling, order or decree binding on Bidder; or
 - (ii) Bidder's constitution.
- (f) **(Regulatory approvals)** As far as Bidder is aware, no regulatory approval is required to be obtained by Bidder in order for it to execute, deliver and perform this deed, other than those approvals set out in clause 3.1(b).
- (g) **(Bidder Information)** At the time Target commences despatch of the Scheme Booklet to Target Shareholders, the Bidder Information included in the Scheme Booklet with Bidder's consent pursuant to clause 5.2(e), and any other information provided by Bidder pursuant to clause 5.2(f), will not be misleading or deceptive in any material respect (with any statement of belief or opinion having been formed on a reasonable basis), including by way of omission or otherwise, and will comply in all material respects with applicable laws (including the Corporations Act and Corporations Regulations), RG 60 and the Listing Rules.
- (h) **(Basis of Bidder Information)** The Bidder Information:
 - (i) will be provided to Target in good faith and on the understanding that Target and each other Target Indemnified Party will rely on that information for the purposes of preparing the Scheme Booklet and proposing the Scheme; and
 - (ii) will comply in all material respects with the requirements of the Corporations Act, Corporations Regulations, RG 60 and the Listing Rules,

and all information provided by Bidder to the Independent Expert will be provided in good faith and on the understanding that the Independent Expert will rely on that information for the purpose of preparing the Independent Expert's Report.
- (i) **(New information)** Bidder will, as a continuing obligation, provide to Target all further or new information which arises after the Scheme Booklet has been despatched to Target Shareholders until the date of the Scheme Meeting which is necessary to ensure that the Bidder Information is not misleading or deceptive in any material respect (including by way of omission).

Attachment B. Scheme Implementation Deed continued

- (j) **(Opinions)** Any statement of opinion or belief contained in the Bidder Information is honestly held and there are reasonable grounds for Bidder holding that opinion or belief.
- (k) **(No dealing with Target Shareholders)** Neither Bidder nor any of its Associates has any agreement, arrangement or understanding with any Target Shareholder under which:
 - (i) that Target Shareholder (or an Associate of that Target Shareholder) would be entitled to receive consideration for their Target Shares that is different from the Scheme Consideration; or
 - (ii) the Target Shareholder agrees to vote in favour of the Scheme or against any Competing Proposal.
- (l) **(Insolvency Event or regulatory action)** No Insolvency Event has occurred in relation to Bidder or another member of the Bidder Group, nor has any regulatory action of any nature of which Bidder is aware been taken that would prevent or restrict Bidder's ability to fulfil its obligations under this deed.
- (m) **(Equity Commitment Letter)** The Equity Commitment Letter has been duly executed by the parties to it and constitute legally binding obligations of those parties that are enforceable in accordance with its terms and the Equity Commitment Letter has not been terminated.
- (n) **(Equity Commitment Letter warranties)** The representations and warranties given by the PEP Parties in the Equity Commitment Letter are true and accurate.
- (o) **(No amendment of Equity Commitment Letter)** As a continuing obligation, without the prior written consent of Target:
 - (i) Bidder and the PEP Parties will not amend the Equity Commitment Letter in any respect which will, or is reasonably likely to, prejudice Bidder's ability to pay the Scheme Consideration in accordance with this deed and the Deed Poll; and
 - (ii) Bidder will not waive any of its rights under the Equity Commitment Letter in any respect which will, or is reasonably likely to, prejudice Bidder's ability to pay the Scheme Consideration in accordance with this deed and the Deed Poll.
- (p) **(Debt Commitment Letter)** The Debt Commitment Letter has been duly executed by Bidder and constitutes legally valid and binding obligations of Bidder that are enforceable against Bidder in accordance with its terms and the Debt Commitment Letter has not been terminated.
- (q) **(No amendment of Debt Commitment Letter)** As a continuing obligation, without the prior written consent of Target:
 - (i) Bidder will not amend the Debt Commitment Letter in any respect which will, or is reasonably likely to, prejudice Bidder's ability to pay the Scheme Consideration in accordance with this deed and the Deed Poll; and
 - (ii) Bidder will not waive any of its rights under the Debt Commitment Letter in any respect which will, or is reasonably likely to, prejudice Bidder's ability to pay the Scheme Consideration in accordance with this deed and the Deed Poll.

- (r) **(Bidder Facility Agreements)** On each date from the date on which the Bidder Facility Agreements are entered into until the 8:00am on the Implementation Date:
- (i) the Bidder Facility Agreements have been duly executed by Bidder and constitute legally valid and enforceable obligations on, and rights of, Bidder that are enforceable in accordance with their terms; and
 - (ii) without the prior written consent of Target, Bidder will not amend or agree to amend the Bidder Facility Agreements in any respect which will, or is reasonably likely to, prejudice Bidder's ability to pay the Scheme Consideration in accordance with this deed and the Deed Poll.
- (s) **(Reasonable basis)** Bidder has a reasonable basis to expect that it will, by the Implementation Date, have available to it sufficient cash amounts (whether from internal cash resources or external funding arrangements (including debt and equity financing) or a combination of both) to satisfy Bidder's obligation to pay the Scheme Consideration in accordance with its obligations under this deed, the Scheme and the Deed Poll.
- (t) **(Availability of funding on Second Court Date)** By the Delivery Time, Bidder will have available to it on an unconditional basis (other than conditions relating to the approval of the Court, the Scheme becoming Effective, and other conditions within the control of Bidder) sufficient cash amounts (whether from internal cash resources or external funding arrangements (including debt and equity financing) or a combination of both) to satisfy Bidder's obligation to pay the Scheme Consideration in accordance with its obligations under this deed, the Scheme and the Deed Poll.
- (u) **(Availability of funding on Implementation Date)** Bidder will have available to it on the Implementation Date sufficient cash amounts (whether from internal cash resources or external funding (including debt and equity financing) arrangements or a combination of both) to satisfy Bidder's obligation to pay the Scheme Consideration in accordance with its obligations under this deed, the Scheme and the Deed Poll.

Attachment B. Scheme Implementation Deed continued

Schedule 4 Target Scheme Warranties

- (a) **(Validly existing)** Target is a validly existing corporation registered under the laws of its place of incorporation.
- (b) **(Power)** Target has full corporate power and lawful authority to execute, deliver and perform this deed and the Scheme.
- (c) **(Corporate action)** Target has taken all necessary corporate action to authorise the entry into this deed and has taken or will take all necessary corporate action to authorise the performance of this deed and the Scheme.
- (d) **(Binding)** This deed is a valid and binding obligation on Target, enforceable in accordance with its terms.
- (e) **(Performance)** The execution and performance by Target of this deed did not and will not violate or breach any provision of:
 - (i) a law or treaty or a judgment, ruling, order or decree binding on Target; or
 - (ii) Target's constitution.
- (f) **(Capital structure)** Target's capital structure is as set out in Schedule 2 and, other than as set out in Schedule 2:
 - (i) Target has not issued any other Target Shares or other securities, rights or instruments which are still outstanding and may convert into, or give the holder the right to be issued, Target Shares; and
 - (ii) Target is not under any obligation to issue, and no person has any right to require or call for the issue of, any Target Shares or other securities, rights or instruments issuable by Target (whether such obligation or right is conditional or otherwise).
- (g) **(Target Information)** The Target Information included in the Scheme Booklet, and any supplementary disclosure made to Target Shareholders pursuant to clause 5.1(l) (excluding any information provided by Bidder), will not be misleading or deceptive in any material respect (with any statement of belief or opinion having been formed on a reasonable basis), including by way of omission or otherwise, and will comply in all material respects with applicable laws, including (in respect of the Target Information) the Corporations Act, Corporations Regulations, RG 60 and the Listing Rules.
- (h) **(Basis of Target Information)** The Target Information:
 - (i) will be prepared and included in the Scheme Booklet in good faith and on the understanding that Bidder and each other Bidder Indemnified Party will rely on that information for the purpose of determining to proceed with the Transaction; and
 - (ii) will comply in all material respects with the requirements of the Corporations Act, Corporations Regulations, RG 60 and the Listing Rules,

and all information provided by Target to the Independent Expert will be provided in good faith and on the understanding that the Independent Expert will rely on that information for the purpose of preparing the Independent Expert's Report.

- (i) **(New information)** Target will, as a continuing obligation (but in respect of the Bidder Information, only to the extent that Bidder provides Target with updates to the Bidder Information), ensure that the Scheme Booklet is updated to include all further or new information which arises after the Scheme Booklet has been despatched to Target Shareholders until the date of the Scheme Meeting which is necessary to ensure that the Bidder Information is not misleading or deceptive (including by way of omission) in any material respect.
- (j) **(Continuous disclosure)** Target is in compliance in all material respects with its continuous disclosure obligations under Listing Rule 3.1 and following release of the Agreed Public Announcement, there will be no information which Target is withholding from disclosure in reliance on Listing Rule 3.1A.
- (k) **(Insolvency Event or regulatory action)** No Insolvency Event has occurred in relation to Target or another member of the Target Group, nor has any regulatory action of any nature of which Target is aware been taken that would prevent or restrict Target's ability to fulfil its obligations under this deed.
- (l) **(Disclosure Materials)** The Disclosure Materials were compiled and made available to Bidder and its Representatives in good faith and Target has not withheld from the Disclosure Materials any information of which Target is aware which, if disclosed, might reasonably be expected to affect the decision of the Bidder to enter into this deed and complete the Transaction.

Attachment B. Scheme Implementation Deed continued

Schedule 5 Target Business Warranties

- (a) **(Target Group):**
- (i) The structure diagram in Schedule 6 includes details of all members of the Target Group and is true and accurate in all respects.
 - (ii) No member of the Target Group holds shares, options, units, securities or interests in, or is a member of, any company, trust, partnership, incorporated or unincorporated joint venture or association, or other entity (other than an entity identified in Schedule 6).
- (b) **(Financial information)**
- (i) The Accounts:
 - (A) comply with applicable statutory requirements and were prepared in accordance with the Accounting Standards;
 - (B) give a true and fair view of the financial position and the assets and liabilities of the Target Group as at the Accounts Date; and
 - (C) are not affected by any unusual, abnormal, extraordinary or non-recurring items.
 - (ii) The Management Accounts (having regard to the purpose for which they were prepared):
 - (A) fairly represent and show a materially accurate view of:
 - (1) the financial position and state of affairs of the Target Group as at the date to which they have been prepared; and
 - (2) the financial performance of the Target Group for the period in respect of which they have been prepared; and
 - (B) have been prepared in good faith and with reasonable care and diligence.
- (c) **(Conduct of business since Accounts Date)**
- (i) Since the Accounts Date and up to the date of this deed, the Target Group has conducted its businesses and operations:
 - (A) in the ordinary course;
 - (B) in accordance with legal and contractual obligations; and
 - (C) in a manner generally consistent (subject to any applicable laws, regulations and regulatory approvals) with the manner in which each such business and operation had been conducted in the 12 month period prior to the Accounts Date.
 - (ii) Between the Accounts Date and the date of this deed:

- (A) no member of the Target Group undertook any actions which would have resulted in a breach of clause 5.4(i) had it been operative during that period; and
 - (B) no Material Adverse Change occurred.
- (d) **(Compliance with material contracts)** No member of the Target Group is in breach of, or default under, any material provision of any contract, agreement or arrangement that could reasonably be considered material to the Target Group (including the Top 10 Supplier Agreements) (**Material Contracts**).
- (e) **(Material Contracts and other arrangements)**
- (i) All Material Contracts have been Fairly Disclosed in the Disclosure Materials, and the copies of such Material Contracts included in the Disclosure Materials are current, accurate and complete (and include any and all amendments, variations, supplements, addendums, annexures, appendices, extensions and/or renewals in respect of such Material Contracts).
 - (ii) Each Material Contract is valid, binding and enforceable against and by the member of Target Group Company which is party to that Material Contract.
 - (iii) As at the date of this deed, no party to any Material Contract has terminated, suspended or reduced the supply of, or demand for, services provided by or to a Target Group Company under a Material Contract or altered the terms of a Material Contract in any way which has had or is likely to have a material impact on the business and activities of the Target Group as at the Implementation Date, and Target is not aware that any such termination, suspension, reduction in scope, or alteration of a Material Contract is threatened or is reasonably likely.
 - (iv) No member of the Target Group has received or given any notice in respect of any actual, alleged or potential breach of any Material Contract, nor is Target aware of any facts, matters or circumstances which may result in such a notice being given.
 - (v) No member of the Target Group is in default, or would be in default but for the requirements of notice or lapse of time, under any Material Contract, and Target is not aware of any grounds for termination, rescission, avoidance or repudiation of any Material Contract.
 - (vi) No member of the Target Group is a party to any material agreement or arrangement that:
 - (A) is not on arm's length terms;
 - (B) was not entered into in the ordinary course of business; or
 - (C) other than as Fairly Disclosed, contains a non-compete undertaking or exclusivity restriction.
- (f) **(Change of control)** So far as Target is aware, the Disclosure Materials contain a complete copy of each Material Contract under which a member of the Target Group is required to give notice to, or to obtain consent or approval from, a Third Party, in connection with this deed or the transactions contemplated by it (including

Attachment B. Scheme Implementation Deed continued

in respect of the change in control of Target resulting from the implementation of the Scheme).

- (g) **(Customer and supplier relationships)** No member of the Target Group has been notified by any customer or supplier that such customer or supplier (as applicable) intends to cease or alter the nature of its commercial or business dealings with the Target Group (or any member thereof), where the cessation or alteration of such commercial or business dealings could be reasonably expected to have a material adverse effect on the operational or financial performance of the Target Group (taken as a whole).
- (h) **(Medical devices regulation)**
- (i) So far as Target is aware, each product supplied by Target Group that is required to be included on the Australian Register of Therapeutic Goods (**ARTG**) is included on the ARTG.
 - (ii) So far as Target is aware, each product supplied by the Target Group that is required to comply with the Essential Principles (as that term is defined in the *Therapeutic Goods Act 1989*), complies with the Essential Principles.
 - (iii) So far as Target is aware, each product supplied by the Target Group that is required to have had the Conformity Assessment Procedures (as that term is defined in the *Therapeutic Goods Act 1989*) applied to it, has had the Conformity Assessment Procedures applied to it.
 - (iv) So far as Target is aware, each product supplied by the Target Group complies with all the obligations imposed as a result of that product's inclusion on the ARTG.
 - (v) So far as Target is aware, each product supplied by the Target Group that is exempt from inclusion on the ARTG complies with all the conditions of that exemption.
 - (vi) So far as Target is aware, no Government Agency has taken any step to, and there is no reason why any Government Agency would have any basis to, cancel or suspend any product supplied by the Target Group from the ARTG.
 - (vii) Except as Fairly Disclosed in the Disclosure Materials, so far as Target is aware, each product for which a Target Group member is the sponsor under the *Therapeutic Goods Act 1989* is included on the ARTG in the name of the relevant Target Group member.
- (i) **(Financing Arrangements)**
- (i) Other than as Fairly Disclosed in the Disclosure Materials, there are no material:
 - (A) agreements or arrangements entered into by any member of the Target Group for the borrowing of money or the incurrence of any debt or other financial indebtedness (whether contingent or otherwise), or the granting of Encumbrances or security (other than any Permitted Encumbrances);

- (B) debentures, bonds, notes or similar debt instruments issued by any member of the Target Group (whether by one instrument or by all of the instruments in a series);
 - (C) guarantees, letters of comfort, indemnities or other commitments of financial support which have been given or issued in favour of any Third Party in respect of an obligation or liability of any member of the Target Group, and no member of the Target Group has requested that any bank or other financial institution give or issue any such guarantee, letter of comfort, indemnity or other commitment of financial support;
 - (D) bank guarantees, letters of credit, trade instruments or similar credit support which have been issued in respect of, or at the request of, any member of the Target Group or any arrangements related thereto (including cash-backing);
 - (E) interest rate swaps, foreign currency forward contracts or other derivative contracts to which any member of the Target Group is a party or by which any member of the Target Group is bound; or
 - (F) financing arrangements that restrict the sale or disposal of any member of the Target Group (or any assets thereof).
- (ii) No member of the Target Group has given any guarantee, letter of comfort or other commitments of financial support, or granted any Encumbrance, in respect of any obligation or liability of any Third Party (other than any Permitted Encumbrances).
 - (iii) No calls or demands have been made under, or in respect of, any of the financing or security arrangements to which any member of the Target Group is a party or by which any member of the Target Group (or any assets thereof) is bound (including, for the avoidance of doubt, arrangements of a kind described in paragraphs (h)(i) or (h)(ii) of this Schedule 5) (such arrangements, **Financing Arrangements**).
 - (iv) So far as Target is aware:
 - (A) no action has been taken or threatened by any person to enforce any Encumbrance of any kind over any assets of any member of the Target Group; and
 - (B) there are no facts, matters or circumstances that would or may entitle any person to take such action.
 - (v) There is no existing or unremedied material breach of, nor any default, event of default, cancellation event, review event, prepayment event or similar event currently subsisting under, any Financing Arrangements.
- (j) **(Properties)**
 - (i) The Target Group does not hold freehold title to any real property.
 - (ii) The Disclosure Materials include copies of all agreements or other documents pursuant to which a member of the Target Group leases (or sub-leases), licences, occupies or otherwise uses any parcel of real property (all such agreements and other documents, the **Property Leases**, and all such

Attachment B. Scheme Implementation Deed continued

parcels of real property, the **Leased Properties**), and the copies of such Property Leases included in the Disclosure Materials are current, accurate and complete (and include any and all amendments, variations, supplements, addendums, annexures, appendices, extensions and/or renewals in respect of such Property Leases).

- (iii) No member of the Target Group has any interest in land other than the interests in the Leased Properties (together, the **Properties**).
- (iv) No member of the Target Group is party to any agreement or arrangement in relation to the ownership (including purchase or sale), occupation, lease, licence or use of any real property other than the Properties.
- (v) Each of the Property Leases is valid, binding, enforceable and subsisting, and (where necessary to be binding and enforceable against successors in title) registered.
- (vi) No member of the Target Group has received:
 - (A) any notice to vacate or notice to quit in respect of any of the Properties;
 - (B) any notice in respect of the compulsory acquisition or resumption of any of the Properties (or any part thereof);
 - (C) any notice requiring material work to be done or expenditure to be made in respect of any of the Properties;
 - (D) any notice in respect of any contemplated, pending or threatened condemnation or change to the planning, zoning or other ordinances in respect of any of the Properties;
 - (E) any notice in respect of any actual, alleged or potential breach of any Property Lease or the termination or intended termination of any Property Lease; or
 - (F) any order, direction, notice or proposal from any Government Agency affecting or in respect of any of the Properties or the use thereof,

nor is Target aware of any facts, matters of circumstances which may result in any such notice, order, direction or proposal being given.
- (vii) No member of the Target Group is in default, or would be in default but for the requirements of notice or lapse of time, under any Property Lease, and Target is not aware of any grounds for termination, rescission, avoidance or repudiation of any Property Lease.
- (viii) The relevant members of the Target Group have paid all rent, fees, rates and other amounts payable by them in respect of the Properties (including under the Property Leases).
- (ix) The relevant members of the Target Group have exclusive occupation and right of quiet enjoyment in respect of each of the Properties and none of the Properties is subject to any sub-lease, licence, tenancy or right of occupation in favour of any person other than a member of the Target Group.

- (x) None of the Properties is subject to any restrictive covenant or exception or reservation which may adversely affect its use.
- (xi) So far as Target is aware:
 - (A) there are no disputes, Claims or actions relating to any of the Properties or the use thereof; and
 - (B) there is no intention on the part of any counterparty to a Property Lease to:
 - (1) terminate the Property Lease;
 - (2) not renew or extend the Property Lease at expiry or only renew or extend the Property Lease at expiry on terms materially more favourable to such counterparty than the current terms; or
 - (3) seek to increase the rent, fees, rates or other amounts payable by the relevant member(s) of the Target Group under the Property Lease (whether at expiry of the Property Lease or otherwise).
- (k) **(Environment)**
 - (i) So far as Target is aware, there are no facts, matters or circumstances which may give rise to any liability on the part of any member of the Target Group under or in respect of any law or regulation concerning or relating to the protection of the environment (including air, water, land, flora, fauna, ecosystems and man) (**Environmental Law**).
 - (ii) No member of the Target Group has received notice under or in respect of any Environmental Law (including notice of any actual or alleged breach of any Environmental Law), nor is Target aware of any facts, matters or circumstances which may result in such a notice being given.
 - (iii) The Target Group has not assumed, undertaken, provided an indemnity with respect to, or otherwise become subject to, any liability of any other person relating to Environmental Laws.
- (l) **(Assets)**
 - (i) All the material tangible assets of the Target Group are:
 - (A) the absolute property of a member of the Target Group free and clear of all Encumbrances (other than Permitted Encumbrances) or used by a member of the Target Group under a contract pursuant to which such member of the Target Group is entitled to use the relevant asset(s) on the terms and conditions of such contract;
 - (B) not the subject of any lease or hire purchase agreement or agreement for purchase on deferred terms;
 - (C) in the exclusive possession of a member of the Target Group, its agent or nominee;

Attachment B. Scheme Implementation Deed continued

- (D) not the subject of any agreements or arrangements to dispose or not dispose or that otherwise restrict their use or disposal.
- (ii) The Target Group owns, or has the right to use, all of the assets that are necessary for the carrying on of the businesses and operations of the Target Group as such businesses and operations are currently carried on.
- (iii) No member of the Target Group has received any notice, order or direction from any Government Agency or Third Party in respect of any of its assets or the use of such assets, nor is Target aware of any facts, matters or circumstances which may result in such a notice being given.
- (iv) As far as the Target is aware, each item of plant and equipment owned or used by the Target Group:
 - (A) is capable of performing the function for which it is intended to be used;
 - (B) has been properly serviced throughout its life;
 - (C) is in good repair and condition and satisfactory working order for its age;
 - (D) has been maintained in accordance with prudent business practices; and
 - (E) complies with all applicable laws and standards and has not been repaired or modified in a way which would adversely impact a warranty provided by a supplier of that item of plant and equipment.
- (m) **(Document and Records)**
 - (i) The Records (other than the Accounts and the Management Accounts):
 - (A) contain all relevant material details, which are accurate, of all matters required to be entered by all applicable laws or prudent business practice; and
 - (B) give a reasonably and materially accurate view of the trading transactions, the assets and liabilities and the financial and contractual position of the Target Group.
 - (ii) All material documents relating to any Target Group Company (including documents of title and copies of all agreements to which a Target Group Company is a party) which are the property of a Target Group Company or ought to be in its possession, are in its possession or under its control.
 - (iii) Each material document or filing which is required by law to be delivered or made to any Government Agency by a Target Group Company in connection with the operation of the Target Group has been duly delivered or made.

(n) **(Intellectual Property Rights)**

- (i) The Disclosure Materials Fairly Disclose reasonable particulars of all Intellectual Property Rights owned or used by any member of the Target Group (**Business Intellectual Property**), as well as any terms and conditions attaching to the use of the Business Intellectual Property.
- (ii) In respect of the Business Intellectual Property that is owned by a member of the Target Group:
 - (A) such Business Intellectual Property is valid, subsisting and enforceable, and free and clear of all Encumbrances (other than any Permitted Encumbrances);
 - (B) no member of the Target Group has licensed, assigned or otherwise disposed of or allowed to lapse any right, title or interest in such Business Intellectual Property;
 - (C) no member of the Target Group is obliged to grant a licence, assignment or other right in respect of such Business Intellectual Property to any Third Party;
 - (D) the relevant members of the Target Group have taken all necessary steps to obtain and maintain appropriate registrations for such Business Intellectual Property (to the extent such Business Intellectual Property is registrable), including the payment of all applicable application and renewal fees;
 - (E) the Target Group has taken all reasonable steps to record and protect such Business Intellectual Property, to the extent that it is unregistrable;
 - (F) the terms on which the Business Intellectual Property is licensed within the Target Group does not compromise or otherwise adversely affect the validity, subsistence or enforceability of any of the Business Intellectual Property; and
 - (G) so far as Target is aware, there are no Claims, challenges, disputes or proceedings that have been brought or threatened by any Third Party or Government Agency in relation to such Business Intellectual Property that may adversely affect the right to use, enforce or assign or licence such Business Intellectual Property, including opposition proceedings, non-use proceedings, or amendment, rectification, revocation or cancellation proceedings, and no member of the Target Group has received notice of, nor are there any facts, matters or circumstances that could rise to, any such Claims, challenges, disputes or proceedings;
 - (H) so far as Target is aware, no Third Party:
 - (1) has infringed, attacked or opposed, in the 5 years prior to the date of this deed, or is infringing, attacking or opposing, as at the date of this deed, such Business Intellectual Property;
 - (2) has threatened to allege or has alleged in the 6 years prior to the date of this deed, or is threatening to allege or is alleging as at the date of this deed, that any such Business Intellectual

Attachment B. Scheme Implementation Deed continued

- Property infringes Intellectual Property Rights owned by or licensed to that Third Party; or
- (3) has any right to use, assign or licence any such Business Intellectual Property, or any right which would otherwise restrict or have the potential to restrict the use by the Target Group (or any member thereof) of such Business Intellectual Property.
- (iii) A member of the Target Group has the exclusive right, enforceable against its employees, consultants and independent contractors, to claim full ownership of and all rights in and title to all Intellectual Property Rights generated by those persons in the course of, or in connection with, their employment or engagement with or by the Target Group. The Target Group has taken reasonable steps, including implementing appropriate training and policies, to ensure that such Intellectual Property Rights do not breach or infringe any Intellectual Property Rights of Third Parties or breach any obligation of confidence owed to any Third Party.
- (iv) The use of the Business Intellectual Property by or on behalf of the Target Group does not:
- (A) breach or infringe any Intellectual Property Rights of any Third Party;
- (B) breach any obligation of confidence owed to any Third Party; or
- (C) breach any law, regulation, rule or policy in force in any jurisdiction, where such breach or infringement or material risk of breach or infringement will, or is reasonably likely to, have a material adverse effect on the operational or financial performance of the Target Group (taken as a whole).
- (v) In respect of Business Intellectual Property that is used but not owned by the Target Group, a member of the Target Group has a current licence to use such Business Intellectual Property and:
- (A) such licence is valid, binding and enforceable and includes rights to sub-license to other members of the Target Group and to Third Parties;
- (B) no member of the Target Group is in breach of such licence; and
- (C) the licensor has not given a notice to terminate such licence nor, so far as Target is aware, does the licensor intend to give such notice.
- (vi) The Intellectual Property Rights owned by the Target Group or used by the Target Group under valid, binding, enforceable and sub-licensable licences from Third Parties together comprise all of the Intellectual Property Rights necessary for the carrying on of the businesses and operations of the Target Group as such businesses and operations are currently carried on.
- (vii) There are no royalties, fees, damages, compensation or other amounts payable by any member of the Target Group in connection with the use of Intellectual Property Rights owned by Third Parties.
- (o) **(Employees and contractors)**
- (i) The Disclosure Material Fairly Discloses accurate details of the commencement date, position title, employing entity, salaries and wages,

participation (if any) in an applicable incentive arrangement, applicable allowances, applicable enterprise agreement (if any), modern award coverage (if any), and accrued long service leave, annual leave, leave loading and personal leave for each Employee as at the relevant dates specified in such disclosure.

- (ii) No member of the Target Group has given a commitment (whether legally binding or otherwise) to increase or supplement the wages, salaries, incentives, annual leave and leave loading, long service leave, personal/carer's leave or any other remuneration, compensation, gratuities or benefits of any Employee beyond the amounts and entitlements specified in the Disclosure Material.
- (iii) Each member of the Target Group complies with its obligations under any law relating to Employees (including employment and industrial laws, anti-discrimination laws, and work health and safety laws), industrial agreements and awards, and with all codes of conduct and practice relevant to conditions of service and to the relations between it and Employees employed by it.
- (iv) Each member of the Target Group has kept adequate and suitable records regarding the service of its Employees and, in respect of each member of the Target Group incorporated in Australia, such records meet such member of the Target Group's record keeping obligations under the *Fair Work Act 2009* (Cth) (if any).
- (v) No member of the Target Group is a party to any collective bargaining agreement, collective bargaining relationship, workplace agreement or other contract with a trade union or industrial organisation, labour union, labour organisation, works council, group of employees or individual employees in respect of Employees and their employment and no industrial awards, collective bargaining agreements or workplace agreements apply to any Employees.
- (vi) No member of the Target Group has been involved in any labour or industrial dispute with any union or industrial organisation, labour organization, works council, group of employees or Employee at any time within the 3 years preceding the date of this deed.
- (vii) There is no actual or pending or (so far as Target is aware) threatened Claim, demand, legal proceedings or cause of action by an Employee against any member of the Target Group and, so far as Target is aware, there are no facts, matters or circumstance which may give rise to any such Claim, demand, charge, complaint, audit, investigation, legal proceeding or cause of action.
- (viii) The Disclosure Material Fairly Discloses full details of all legal proceedings or causes of action brought against a member of the Target Group by current or past Employees during the 3 year period prior to the date of this deed.
- (ix) No member of the Target Group has made any offer of work to, or any appointment of, an individual (or any company controlled by an individual as a senior executive, or as an independent contractor) for a term of 12 months or more or for payment of \$100,000 or more per annum, that remains capable of acceptance and that cannot be terminated without penalty on less than 1 months' notice.

Attachment B. Scheme Implementation Deed continued

- (x) No member of the Target Group is a party to any written employment or service agreement with any senior executive other than those agreements Fairly Disclosed in the Disclosure Material.
- (xi) No Employee is, or may become, entitled to any bonus, compensation, payment or other benefit:
 - (A) in connection with this deed or the transactions contemplated hereby; or
 - (B) of an amount or value exceeding three times that Employee's base salary which is triggered by a transaction or occurrence, or by the termination or cessation of that Employee's employment with the relevant member of the Target Group.
- (xii) Other than as Fairly Disclosed in the Disclosure Material, no member of the Target Group operates or has adopted, or has resolved or agreed to operate or adopt, any incentive plan in which Employees participate or may participate.
- (xiii) The members of the Target Group have complied with all their obligations to make superannuation or pension contributions which they are required to make on behalf of Employees.
- (xiv) The prescribed minimum level of superannuation support for each Employee has been provided by each member of the Target Group so as not to incur a Superannuation Guarantee Charge liability.
- (xv) There are no overdue contributions due on the part of any member of the Target Group or any Employee that are outstanding and unpaid.
- (xvi) Provisions have been made by each member of the Target Group for any outstanding and unpaid benefits currently due to an Employee or his or her dependants or beneficiaries.
- (xvii) No member of the Target Group contributes to any defined benefit fund in respect of the Employees and no member of the Target Group is liable to contribute in respect of any defined benefit fund.
- (xviii) Each member of the Target Group:
 - (A) has not been subject to a Work Safety Authority inspection in the last 3 years;
 - (B) has not at any time received an improvement notice or prohibition notice from a Work Safety Authority in respect of work health and safety; and
 - (C) is not currently subject to an investigation or prosecution by a Work Safety Authority and, so far as Target is aware, no facts, matters or circumstances exist which may give rise to any such investigation or prosecution.
- (xix) Each member of the Target Group:
 - (A) has workers' compensation insurance in place, and has paid its workers' compensation insurance up to date; and

- (B) is not the subject of any current workers' compensation claim and Target is not aware of any future claim or any facts, matters or circumstances which may give rise to a future claim, and reasonable details of all workers compensation claims during the last 3 years have been Fairly Disclosed in the Disclosure Material.
- (xx) Each member of the Target Group has complied with all applicable legislation, including Tax Laws and any agreement binding on it, in respect of independent contractors.
- (xxi) No independent contractor engaged by a member of the Target Group (nor any of the personnel of an independent contractor) is an employee of any member of the Target Group (or is or was entitled to be treated as one) at law.
- (xxii) Except as would not result in any material losses for any member of the Target Group, each member of the Target Group has paid all wages, salaries, bonuses, commissions, wage premiums, fees, expense reimbursement, severance, and other compensation that have become due and payable to its employees, consultants, independent contractors, and other individual service providers pursuant to any law, contract, or policy.
- (p) **(Information technology)**
- (i) The data, records and information technology and telecommunications systems, hardware and software owned or validly licensed (under a current, enforceable licence) by the Target Group (collectively, the **Systems**) comprise all the data, records and information technology and telecommunications systems, hardware and software necessary for the carrying on of the businesses and operations of the Target Group as such businesses and operations are currently carried on.
- (ii) All reasonable precautions have been taken to preserve the security and integrity of the Systems and the data and information stored on them, and, so far as Target is aware, there has been no unauthorised access to the Systems or any of the data or information stored on them.
- (iii) No action is necessary to enable Systems to continue to be used by the Target Group to the same extent and in the same manner as they are used as at the date of this deed.
- (iv) No member of the Target Group is in breach of any agreement under which a member of the Target Group is licensed to use Systems where such breach may result in any member of the Target Group ceasing to be entitled to use those Systems.
- (v) So far as Target is aware, the software utilised by the Target Group:
- (A) is free of material defects and complies with all applicable laws; and
- (B) is capable of being used for the functions and purposes for which it was designed and/or for which it is currently utilised by the Target Group.
- (q) **(Litigation and disputes)**

Attachment B. Scheme Implementation Deed continued

- (i) No member of the Target Group is, at the date of this deed, a party to or the subject of any investigation, action, proceeding, dispute, Claim, demand, notice, order, direction, declaration, inquiry, arbitration, mediation, dispute resolution or litigation that will or may have a material adverse effect on the operational or financial performance, or the reputation, of the Target Group (taken as a whole) (**Material Proceedings**).
 - (ii) So far as Target is aware, there are no outstanding settlements, judgments, decrees, awards, orders or other decisions of any court, quasi-judicial body or Government Agency and no Material Proceedings against a member of the Target Group are pending or threatened and Target is not aware of any facts, matters or circumstances that may give rise to a Material Proceeding.
 - (iii) No member of the Target Group has given any undertaking or assurance (whether legally binding or otherwise) to any court or Government Agency under any applicable law.
 - (iv) There are no unsatisfied or outstanding judgments, awards, orders, decrees, Claims or demands against any member of the Target Group.
- (r) (**Insurance**)
- (i) The Disclosure Material Fairly Discloses reasonable particulars of all current insurance policies and cover notes taken out in respect of the Target Group (or a member thereof) or the businesses or operations conducted thereby (or any such business or operation) (**Insurances**).
 - (ii) Each Insurance is in full force and effect in accordance with its terms and all applicable premiums have been paid by the due date for payment.
 - (iii) So far as Target is aware, nothing has been done or omitted to be done:
 - (A) that would make any Insurance void or voidable or that would permit an insurer to cancel the policy or refuse or materially reduce a claim or materially increase the premium payable under any Insurance or otherwise alter the terms of the policy; or
 - (B) by a member of the Target Group so as to make void or voidable any Insurance or to permit an insurer to refuse or reduce a current claim by a member of the Target Group under any Insurance.
 - (iv) As at the date of this deed:
 - (A) there are no outstanding claims made by a member of the Target Group or any person on its behalf under any Insurance or an insurance policy previously taken out by or for the benefit of any member of the Target Group; and
 - (B) so far as Target is aware, there are no threatened or pending claims under any Insurance and there are no facts, matters or circumstances which could give rise to an entitlement to make a claim under any Insurance.
 - (v) The members of the Target Group have notified insurers of all relevant claims, facts, matters and circumstances as required by the notification provisions under each Insurance.

- (vi) No member of the Target Group has made a claim under any Insurance that has been rejected or denied by the insurer.
- (vii) Each member of the Target Group has in place all types of insurances required by law or contract to be taken out by it.
- (s) **(Compliance with laws)** Each member of the Target Group has complied in all material respects with applicable laws (including Privacy Laws), industry codes of conduct (including the Medical Technology Industry Code of Practice published by the Medical Technology Association of Australia) and regulations and holds all material licences, authorisations and permits necessary for them to conduct their business as presently conducted and is not in breach of, or default under, any such licences, authorisations or permits.
- (t) **(Privacy)**
 - (i) Any collection, use or disclosure of Personal Information in connection with the Business by the Target Group:
 - (A) is consistent with any privacy statement or privacy policy issued by the Target Group; and
 - (B) complies with all Privacy Laws by which the members of the Target Group are bound.
 - (ii) Each member of the Target Group has reasonable safeguards in place to protect Personal Information in its possession or control from unauthorised access by third persons.
 - (iii) As far as the Target is aware, within the two years preceding the date of this deed, there have been no material security breaches relating to, or material violations regarding, or unauthorised access, use, processing or disclosure of any Personal Information held or stored by a member of the Target Group.
- (u) **(Taxes and Duties)**
 - (i) At implementation of the Scheme, any Tax or Duty arising under any Tax Law payable:
 - (A) in respect of any transaction, income or assets of a member of the Target Group for all periods up to the Implementation Date;
 - (B) in respect of any event, omission or instrument executed or performed prior to the Implementation Date; and
 - (C) in respect of payments made by a member of the Target Group to another person that must be withheld from that payment prior to the Implementation Date,

have been so withheld (if applicable) and paid (or provided for) prior to the Implementation Date in accordance with the requirements of the relevant Tax Law.
 - (ii) Each member of the Target Group has complied with all material obligations imposed on them by any Tax Law or as requested by any Government Agency.

Attachment B. Scheme Implementation Deed continued

- (iii) Each member of the Target Group has maintained proper and adequate records to enable it to comply in all material respects with its obligations to:
 - (A) prepare and submit any applications, information, notices, computations, returns and payments required in respect of any Tax Law;
 - (B) prepare any accounts necessary for compliance with any Tax Law; and
 - (C) retain necessary records as required by any Tax Law.
- (iv) Each member of the Target Group has up to the Implementation Date submitted any necessary applications, information, notices, computations and returns to the relevant Government Agency in respect of any Tax or Duty.
- (v) So far as Target is aware, any information, notice, computation and return that has been submitted by any member of the Target Group to a Government Agency in respect of any Tax or Duty:
 - (A) discloses all material facts required to be disclosed under any Tax Law; and
 - (B) is not misleading in any material particular.
- (vi) Target is not aware of any current, pending or threatened Tax or Duty audit, reviews or investigation relating to any member of the Target Group.
- (vii) There are no disputes between any member of the Target Group and any Government Agency in respect of any Tax or Duty.
- (viii) No member of the Target Group will have a franking or imputation account deficit immediately at or any time after the Implementation Date as a result of any act, transaction or omission relating to periods prior to the Implementation Date. No act or omission of any member of the Target Group before the Implementation Date will cause any member of the Target Group to be liable for franking tax or a similar Tax at or after the Implementation Date.
- (ix) There will not be any franking debit to the franking account of any member of the Target Group that relates to a transaction or arrangement entered into before the Implementation Date.
- (x) No member of the Target Group has ever (i) had any taxable presence outside the country in which it is a tax resident or (ii) received notice that it may be subject to Tax in a jurisdiction where it does not currently file tax returns or pay Tax.
- (xi) No debt owed by any member of the Target Group has been, or has been agreed to be, released, waived, forgiven or otherwise extinguished in circumstances which would have attracted any Tax or the operation of the debt forgiveness rules or limited recourse debt rules under the Tax Law.
- (xii) No member of the Target Group has entered into or been a party to any transaction which contravenes any anti-avoidance or integrity provisions of any Tax Law.

- (xiii) Any ruling, determination or election requested, received or made by any member of the Target Group in respect of Tax or Duty:
 - (A) has been Fairly Disclosed in the Disclosure Material; and
 - (B) has at all times been complied with in all material respects by that member of the Target Group.
- (xiv) No agreement extending the period for assessment or collection of any Tax or Duty of any member of the Target Group has been executed or filed with any Government Agency.
- (xv) All registrations required to be maintained by any member of the Target Group with any Government Agency in relation to Tax or Duty are and have at all times been maintained by that member of the Target Group.
- (xvi) Each member of the Target Group has at all relevant times appointed a public officer where required under the applicable Tax Laws.
- (xvii) No member of the Target Group has entered into or been a party to an arrangement, agreement or indemnity whereby it is liable to reimburse or indemnify another party in respect of Tax or Duty, other than pursuant to customary gross up clauses, and no member of the Target Group has any liability for Taxes of another person as a transferee or successor.
- (xviii) No member of the Target Group has a tainted share capital account or a share capital account that is taken to be tainted under any Tax Law and no member of the Target Group has taken any action, up to the Implementation Date, that would cause such member of the Target Group's share capital account to be a tainted share capital account, nor has an election been made at any time up to and including the Implementation Date, to untaint any member of the Target Group's share capital account.
- (xix) No member of the Target Group has made any election or made any choice under Division 230 of the ITAA 1997.
- (xx) No member of the Target Group has been in breach of the benchmark franking percentage rules.
- (xxi) Target has been the Head Company of the Target Group at all times since 30 October 2013.
- (xxii) The Tax Sharing Agreement is valid under the Tax Law.
- (xxiii) The Target Consolidated Group is not and has never been a MEC Group for the purposes of Part 3-90 of the ITAA 1997.
- (xxiv) No tax attributes of the Target Group as at the implementation of the Scheme are subject to any losses, limitations or restrictions due to prior changes in the control or ownership of the Target Group.
- (xxv) No member of the Target Group is a party to any document, instrument, contract, agreement, deed or transaction in respect of which it is or will become liable to pay GST in circumstances where such member of the Target Group has no express entitlement to increase the consideration payable under the document, instrument, contract, agreement, deed or transaction or otherwise seek reimbursement so that such member of the

Attachment B. Scheme Implementation Deed continued

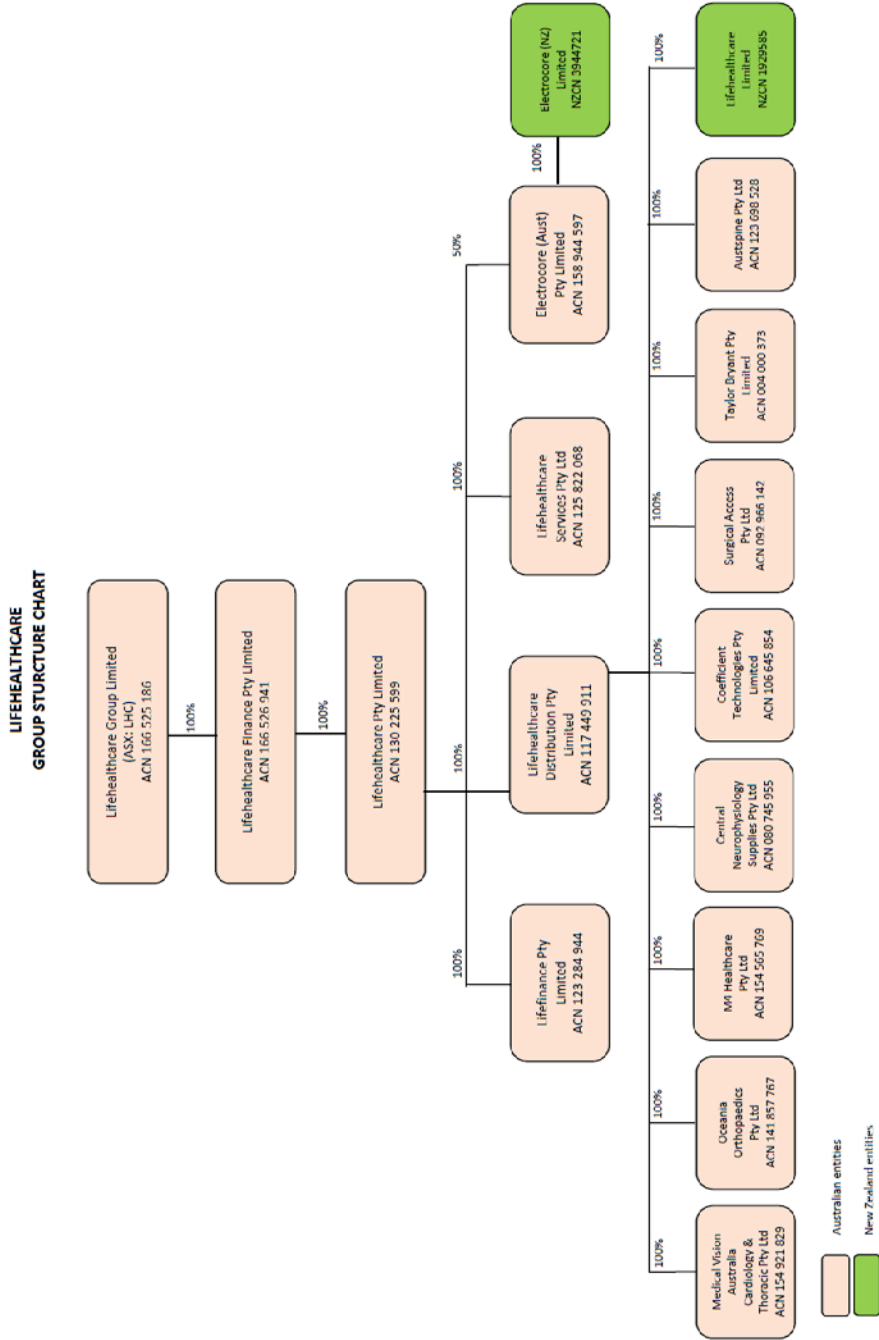
Target Group retains the amount it would have retained but for the imposition of GST.

- (xxvi) Each member of the Target Group:
- (A) that is required to be registered for GST under the GST Law is so registered;
 - (B) has complied in all respects with the GST Law;
 - (C) is not in default of any obligation to make or lodge any payment or GST return or notification under the GST Law;
 - (D) has adequate systems established for it to ensure it complies with the GST Law; and
 - (E) where it has the right to require another party to any such agreement or arrangement to pay to it an amount on account of GST, has enforced that right.
- (xxvii) The members of the Target Group have only been members (if at all) of the Target GST Group.
- (xxviii) No member of the Target Group:
- (A) has paid any amount on account of, or in respect of, GST to any entity which it was not contractually required to pay;
 - (B) has ever been a party to an indirect tax sharing agreement or an indirect tax funding agreement;
 - (C) is, and has never been, a member (including a joint venture operator) of a GST joint venture; or
- (xxix) Target as the representative member of the Target GST Group has met all of its GST obligations in respect of any period or part period up to the Implementation Date in accordance with the requirements of the GST Law.
- (xxx) All documents, instruments, contracts, agreements, deeds or transactions which are liable to Duty, or necessary to establish the title of each member of the Target Group to an asset, have had Duty paid in full in accordance with all applicable Tax Laws, and there is no requirement to upstamp on account of an interim assessment.
- (xxxi) No event has occurred, or will occur, as a result of anything provided for in this deed, or as a result of this deed itself, as a result of which any Duty from which a member of the Target Group may have obtained an exemption or other relief prior to the date of this deed may become payable on any document, instrument, contract, agreement, deed or transaction.
- (v) **(Specific compliance matters)**
- (i) So far as Target is aware, each member of the Target Group and their respective directors are in compliance with anti-bribery and corruption laws and anti-money laundering laws in all material respects.

- (ii) So far as Target is aware, no member of the Target Group and none of their respective directors or officers, is or has been the subject of any pending or threatened investigation, audit, suspension, inquiry or enforcement proceeding regarding any offence or alleged offence under any applicable anti-bribery, anti-corruption, anti-money laundering or anti-kickback or similar law or regulation, and so far as Target is aware:
 - (A) no such investigation, inquiry or proceeding has been threatened or is pending; and
 - (B) there are no circumstances reasonably likely to give rise to any such investigation, inquiry or proceeding.
- (iii) So far as Target is aware, no member of the Target Group has been the subject of any penalty, fine or loss of privileges by any Government Agency for violation of any applicable anti-bribery and corruption laws and anti-money laundering laws nor, so far as Target is aware, is there any investigation by any Government Agency for any such violations.

Attachment B. Scheme Implementation Deed continued

Schedule 6 Target Group Structure Diagram



Execution page

Executed as a deed.

Signed and delivered by **Pacific Health Supplies BidCo Pty Limited** in accordance with section 127 of the *Corporations Act 2001* (Cth) and by:



Signature of director

GEOFF HUTCHINSON

Name of director (print)



Signature of director/secretary

Matthew Robinson

Name of director/secretary (print)

Signed and delivered by **LifeHealthcare Group Limited** in accordance with section 127 of the *Corporations Act 2001* (Cth) and by:

Signature of director

Name of director (print)

Signature of director/secretary

Name of director/secretary (print)

Attachment B. Scheme Implementation Deed continued

Execution page

Executed as a deed.

Signed and delivered by **Pacific Health Supplies BidCo Pty Limited** in accordance with section 127 of the *Corporations Act 2001* (Cth) and by:

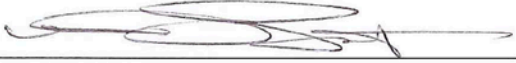
Signature of director

Signature of director/secretary

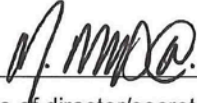
Name of director (print)

Name of director/secretary (print)

Signed and delivered by **LifeHealthcare Group Limited** in accordance with section 127 of the *Corporations Act 2001* (Cth) and by:



Signature of director



Signature of director/secretary



Name of director (print)

Matthew Muscato

Name of director/secretary (print)

Attachment A Timetable

Event	Target date
Release of Agreed Public Announcement	Monday, 5 February 2018
Regulator's Draft provided to ASIC	Friday, 9 March 2018
First Court Hearing	Thursday, 29 March 2018
Scheme Meeting	Friday, 4 May 2018
Second Court Hearing	Thursday, 10 May 2018
Effective Date	Friday, 11 May 2018
Record Date	Friday, 18 May 2018
Implementation Date	Friday, 25 May 2018

Attachment B. Scheme Implementation Deed continued

Attachment B Scheme

Not reproduced here – please see Attachment C of the Scheme Booklet.

Attachment C Deed Poll

Not reproduced here – please see Attachment D of the Scheme Booklet.

Scheme of Arrangement
made under section 411
of the Corporations Act

Attachment C



Scheme of Arrangement

LifeHealthcare Group Limited

Each person registered as a holder of Target Shares as at the Record Date

Attachment C. Scheme of Arrangement made under section 411 of the Corporations Act continued

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Attachment C. Scheme of Arrangement made under section 411 of the Corporations Act continued

Parties

- 1 **LifeHealthcare Group Limited** ACN 166 525 186 of Level 8, 15 Talavera Road, North Ryde, New South Wales 2113, Australia (**Target**)
- 2 Each person registered as a holder of Target Shares as at the Record Date (**Scheme Shareholders**)

The parties agree

1 Defined terms and interpretation

1.1 Defined terms

A term or expression starting with a capital letter which is defined in the dictionary in Schedule 1 has the meaning given to it in the dictionary.

1.2 Interpretation

The interpretation clause in Schedule 1 sets out rules of interpretation for this Scheme.

2 Preliminary matters

- (a) Target is an Australian public company limited by shares, and has been admitted to the official list of ASX. Target Shares are quoted for trading on the ASX.
 - (b) As at **[insert date]**, there were:
 - (i) **[insert number]** Target Shares that were quoted for trading on the ASX;
 - (ii) **[insert number]** Target Options; and
 - (iii) **[insert number]** Target Performance Rights.
 - (c) Bidder is an Australian proprietary company limited by shares incorporated in New South Wales.
 - (d) Bidder and Target have entered into the Scheme Implementation Deed in respect of (among other things) the implementation of this Scheme.
 - (e) This Scheme attributes actions to Bidder but does not itself impose any obligations on it to perform those actions. By executing the Deed Poll, Bidder has agreed to perform the actions attributed to it under this Scheme. By executing the Deed Poll, Bidder agrees to perform its obligations under the Deed Poll, including payment of the Scheme Consideration in accordance with the terms of this Scheme.
-

3 Conditions

3.1 Conditions precedent

This Scheme is conditional on and will not become Effective until and unless the following conditions precedent are satisfied:

- (a) all the conditions in clause 3.1 of the Scheme Implementation Deed (other than the condition in clause 3.1(b) of the Scheme Implementation Deed relating to Court approval of this Scheme) are satisfied or waived in accordance with the terms of the Scheme Implementation Deed by the Delivery Time;
- (b) neither the Scheme Implementation Deed nor the Deed Poll is terminated in accordance with its terms by the Delivery Time;
- (c) this Scheme is approved by the Court at the Second Court Hearing under section 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under section 411(6) of the Corporations Act as are acceptable to Target and Bidder;
- (d) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to this Scheme as are acceptable to Target and Bidder are satisfied or waived; and
- (e) the order of the Court made under section 411(4)(b) of the Corporations Act approving this Scheme comes into effect pursuant to section 411(10) of the Corporations Act.

3.2 Certificates

- (a) Each of Target and Bidder must provide a certificate to the Court at the Second Court Hearing confirming (in respect of matters within their respective knowledge) whether or not the conditions precedent in clauses 3.1(a) and 3.1(b) above have been satisfied or waived.
- (b) The certificates given by Target and Bidder constitute conclusive evidence that the conditions precedent in clauses 3.1(a) and 3.1(b) above have been satisfied or waived.

3.3 Termination and End Date

Without limiting any rights under the Scheme Implementation Deed, if:

- (a) the Scheme Implementation Deed or the Deed Poll is terminated in accordance with its terms before the Scheme becomes Effective; or
- (b) the Effective Date has not occurred on or before the End Date,

then each of Bidder and Target are released from any further obligation to take steps to implement this Scheme.

4 Implementation of this Scheme

4.1 Lodgement of Court orders with ASIC

For the purposes of section 411(10) of the Corporations Act, Target must lodge with ASIC an office copy of the order made by the Court under section 411(4)(b) of the Corporations Act approving this Scheme on the first Business Day following the day on which such office copy is received by Target or such later date as Target and Bidder agree in writing.

4.2 Transfer of Scheme Shares

On the Implementation Date:

Attachment C. Scheme of Arrangement made under section 411 of the Corporations Act continued

- (a) subject to the provision of the Scheme Consideration in the manner contemplated by clause 5.2(a), the Scheme Shares, together with all rights and entitlements attaching to them as at the Implementation Date, must be transferred to Bidder, without the need for any further act by any Scheme Shareholder (other than acts performed by Target as attorney and agent for Scheme Shareholders under clause 8.5), by:
 - (i) Target duly completing and executing the Scheme Transfer, duly executed on behalf of the Scheme Shareholders (as transferors), and delivering it to Bidder; and
 - (ii) Bidder duly executing the Scheme Transfer (as transferee), attending to the stamping of the Scheme Transfer (if required) and delivering it to Target for registration; and
- (b) immediately following receipt of the Scheme Transfer in accordance with clause 4.2(a), Target must enter, or procure the entry of, the name of Bidder in the Share Register in respect of all the Scheme Shares transferred to Bidder in accordance with this Scheme.

5 Scheme Consideration

5.1 Entitlement to Scheme Consideration

Subject to the terms of this Scheme, on the Implementation Date, in consideration for the transfer to Bidder of the Scheme Shares, each Scheme Shareholder will be entitled to the Scheme Consideration in respect of each Scheme Share.

5.2 Provision of Scheme Consideration

- (a) In consideration for the transfer to Bidder of the Scheme Shares, Bidder must provide the Scheme Consideration by depositing (or procuring the deposit) in cleared funds an amount equal to the aggregate Scheme Consideration for all Scheme Shares into the Trust Account on the Business Day before the Implementation Date, such amount to be held by Target on trust for Scheme Shareholders (provided that any interest on the amount so deposited (less bank fees and other charges) (**Accrued Interest**) will accrue for the benefit of Bidder).
- (b) Subject to Bidder having complied with clause 5.2(a), Target must, on the Implementation Date and from the Trust Account, pay to each Scheme Shareholder the Scheme Consideration attributable to that Scheme Shareholder based on the number of Scheme Shares held by that Scheme Shareholder as at the Record Date, which obligation will be satisfied by Target:
 - (i) where a Scheme Shareholder has, before the Record Date, made an election in accordance with the requirements of the Share Registry to receive dividend payments from Target by electronic funds transfer to a bank account nominated by the Scheme Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election; or
 - (ii) whether or not a Scheme Shareholder has made an election referred to in clause 5.2(b)(i), dispatching, or procuring the dispatch of, a cheque in Australian currency for the relevant amount to the Scheme Shareholder by prepaid post to their Registered Address, such cheque being drawn in the

name of the Scheme Shareholder (or in the case of joint holders, in accordance with clause 5.3).

(c) In the event that:

(i) either:

- (A) a Scheme Shareholder does not have a Registered Address; or
- (B) Target as the trustee for the Scheme Shareholders believes that a Scheme Shareholder is not known at the Scheme Shareholder's Registered Address,

and no account has been notified in accordance with clause 5.2(b)(i) or a deposit into such an account is rejected or refunded; or

(ii) a cheque issued under this clause 5 has been cancelled in accordance with clause 5.4(a),

Target as the trustee for the Scheme Shareholders may credit the amount payable to the relevant Scheme Shareholder to a separate bank account of Target (**Separate Account**) to be held until the Scheme Shareholder claims the amount or the amount is dealt with in accordance with the *Unclaimed Money Act 1995* (NSW). To avoid doubt, if the amount is not credited to a Separate Account, the amount will continue to be held in the Trust Account until the Scheme Shareholder claims the amount or the amount is dealt with in accordance with the *Unclaimed Money Act 1995* (NSW).

Until such time as the amount is dealt with in accordance with the *Unclaimed Money Act 1995* (NSW), Target must hold the amount on trust for the relevant Scheme Shareholder, but any interest or other benefit accruing from the amount will be to the benefit of Bidder. An amount credited to the Separate Account or Trust Account (as applicable) is to be treated as having been paid to the Scheme Shareholder when credited to the Separate Account or Trust Account (as applicable). Target must maintain records of the amounts paid, the people who are entitled to the amounts and any transfers of the amounts.

- (d) To the extent that there is a surplus in the amount held by Target as the trustee for the Scheme Shareholders in the Trust Account, that surplus may be paid by Target as the trustee for the Scheme Shareholders to Bidder following the satisfaction of Target's obligations as the trustee for the Scheme Shareholders under this clause 5.2.
- (e) Target must pay any Accrued Interest to any account nominated by Bidder following satisfaction of Target's obligations under clause 5.2(b) (and, in any event, on the Implementation Date).

5.3 Joint holders

In the case of Scheme Shares held in joint names:

- (a) any cheque required to be sent under this Scheme will be made payable to the joint holders and sent to the holder whose name appears first in the Share Register as at the Record Date; and
- (b) any other document required to be sent under this Scheme will be forwarded to the holder whose name appears first in the Share Register as at the Record Date.

Attachment C. Scheme of Arrangement made under section 411 of the Corporations Act continued

5.4 Cancellation and re-issue of cheques

- (a) Target may cancel a cheque issued under this clause 5 if the cheque:
- (i) is returned to Target; or
 - (ii) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of one year commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Target (or the Share Registry) (which request may not be made until the date which is 5 Business Days after the Implementation Date), a cheque that was previously cancelled under clause 5.4(a) must be reissued.

5.5 Unclaimed monies

- (a) The *Unclaimed Money Act 1995* (NSW) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 7 of the *Unclaimed Money Act 1995* (NSW)).
- (b) Any interest or other benefit accruing from unclaimed Scheme Consideration will be to the benefit of Bidder.

5.6 Orders of a court

If written notice is given to Target (or the Share Registry) of an order or direction made by a court of competent jurisdiction or by another Government Agency that:

- (a) requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Shareholder, which sum would otherwise be payable to that Scheme Shareholder by Target in accordance with this clause 5, then Target will be entitled to make that payment (or procure that it is made) in accordance with that order or direction; or
- (b) prevents Target from making a payment to a particular Scheme Shareholder in accordance with clause 5.2(b), or such payment is otherwise prohibited by applicable law, Target will be entitled to retain an amount, in Australian dollars, equal to the amount of the relevant payment until such time as payment in accordance with this clause 5.6 is permitted by that order or otherwise by law.

6 Dealings in Target Shares

6.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in Target Shares or other alterations to the Share Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Share Register as the holder of the relevant Target Shares at or before the Record Date; and
- (b) in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received at or before the Record Date at the place where the Share Register is kept,

and Target must not accept for registration, nor recognise for any purpose (except a transfer to Bidder pursuant to this Scheme and any subsequent transfer by Bidder or its successors in title), any transfer or transmission application or other request received on or after the Record Date, or received prior to the Record Date but not in registrable or actionable form.

6.2 Share Register

- (a) Target must register registrable transmission applications or transfers of Target Shares in accordance with clause 6.1(b) at or before the Record Date, provided that nothing in this clause 6.2(a) requires Target to register a transfer that would result in a Target Shareholder holding a parcel of Target Shares that is less than a 'marketable parcel' (as defined in the operating rules of ASX).
- (b) If this Scheme becomes Effective, a Scheme Shareholder (and any person claiming through that holder) must not dispose of, or purport or agree to dispose of, any Scheme Shares or any interest in them after the Record Date otherwise than pursuant to this Scheme, and any attempt to do so will have no effect and Target will be entitled to disregard any such disposal, purported disposal or agreement.
- (c) For the purpose of determining entitlements to the Scheme Consideration, Target must maintain the Share Register in accordance with the provisions of this clause 6.2 until the Scheme Consideration has been paid to the Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Scheme Consideration.
- (d) All statements of holding for Target Shares (other than statements of holding in favour of Bidder) will cease to have effect after the Record Date as documents of title in respect of those shares and, as from that date, each entry current at that date on the Share Register (other than entries in respect of Bidder) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Target Shares relating to that entry.
- (e) As soon as possible after the Record Date, and in any event within one Business Day after the Record Date, Target will ensure that details of the names, Registered Addresses and holdings of Target Shares for each Scheme Shareholder as shown in the Share Register as at the Record Date are available to Bidder in the form Bidder reasonably requires.

7 Quotation of Target Shares

- (a) Provided that the Scheme has been fully implemented in accordance with its terms, Target will apply to ASX to suspend trading in Target Shares with effect from the close of trading on the Effective Date.
- (b) Target will apply:
 - (i) for termination of the official quotation of Target Shares on the ASX; and
 - (ii) to have itself removed from the official list of ASX,
 in each case with effect on and from the close of trading on the trading day immediately following, or shortly after, the Implementation Date, as determined by Bidder.

Attachment C. Scheme of Arrangement made under section 411 of the Corporations Act continued

- (c) Target must use its best endeavours to ensure that such termination of official quotation and removal from the official list of ASX does not occur before the Implementation Date.

8 General Scheme provisions

8.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

- (a) Target may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which Bidder has consented; and
- (b) each Scheme Shareholder agrees to any such alterations or conditions which counsel for Target has consented to.

8.2 Scheme Shareholders' agreements and warranties

- (a) Each Scheme Shareholder:
- (i) agrees to the transfer of their Scheme Shares to Bidder together with all rights and entitlements attaching to those shares in accordance with this Scheme;
- (ii) agrees to the variation, cancellation or modification of the rights attached to their Scheme Shares constituted by or resulting from this Scheme;
- (iii) agrees:
- (A) that after the transfer of the Scheme Shares to Bidder, any share certificate relating to the Scheme Shares will not constitute evidence of title to those Scheme Shares; and
- (B) at the direction of Bidder, to destroy any share certificates relating to the Scheme Shares; and
- (iv) acknowledges that this Scheme binds Target and all Scheme Shareholders (including those who did not attend the Scheme Meeting and those who did not vote, or voted against this Scheme, at the Scheme Meeting).
- (b) Each Scheme Shareholder is taken to have warranted to Bidder, and appointed and authorised Target as its attorney and agent to warrant to Bidder, that:
- (i) all their Scheme Shares (including any rights and entitlements attaching to their Scheme Shares) which are transferred under this Scheme will, at the time of transfer of them to Bidder, be fully paid and free from all:
- (A) mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Properties Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise; and
- (B) restrictions on transfer of any kind; and
- (ii) they have full power and capacity to transfer their Scheme Shares to Bidder together with any rights attaching to those Scheme Shares.

8.3 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme will, at the time of transfer of them to Bidder, vest in Bidder free from all:
- (i) mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Properties Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise; and
 - (ii) restrictions on transfer of any kind.
- (b) Upon the Scheme becoming Effective, Bidder will be beneficially entitled to the Scheme Shares to be transferred to it under this Scheme pending registration by Target of Bidder in the Share Register as the holder of the Scheme Shares. Bidder's entitlement to be registered in the Share Register as the holder of the Scheme Shares arises on the Implementation Date in accordance with clause 4.2.

8.4 Appointment of sole proxy

Upon the Scheme becoming Effective and until Target registers Bidder as the holder of all Scheme Shares in the Share Register:

- (a) each Scheme Shareholder is deemed to have irrevocably appointed Bidder as attorney and agent (and directed Bidder in each such capacity) to appoint any director, officer, secretary or agent nominated by Bidder as its sole proxy and, where applicable or appropriate, corporate representative to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in their name and sign any shareholders' resolution whether in person, by proxy or by corporate representative;
- (b) no Scheme Shareholder may itself attend or vote at any shareholders' meetings or sign any shareholders' resolutions, whether in person, by proxy or by corporate representative (other than pursuant to clause 8.4(a));
- (c) each Scheme Shareholder must take all other actions in the capacity of a registered holder of Scheme Shares as Bidder reasonably directs; and
- (d) each Scheme Shareholder acknowledges and agrees that in exercising the powers conferred by clause 8.4(a), Bidder and any director, officer, secretary or agent nominated by Bidder under that clause may act in the best interests of Bidder as the intended registered holder of the Scheme Shares.

8.5 Authority given to Target

On the Effective Date, each Scheme Shareholder, without the need for any further act, irrevocably appoints Target and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of:

- (a) enforcing the Deed Poll against Bidder; and
- (b) executing any document, or doing or taking any other act, necessary, desirable or expedient to give effect to this Scheme and the transactions contemplated by it, including executing the Scheme Transfer,

Attachment C. Scheme of Arrangement made under section 411 of the Corporations Act continued

and Target accepts such appointment. Target, as attorney and agent of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 8.5 to all or any of its directors, officers or employees (jointly, severally or jointly and severally).

8.6 Binding effect of this Scheme

This Scheme binds Target and all of the Scheme Shareholders (including those who did not attend the Scheme Meeting and those who did not vote, or voted against this Scheme, at the Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of Target.

9 General

9.1 Stamp duty

Bidder must:

- (a) pay all stamp duty (if any) and any related fines and penalties payable on or in respect of this Scheme and the Deed Poll, the performance of this Scheme and each transaction effected by or made under this Scheme and the Deed Poll; and
- (b) indemnify each Scheme Shareholder against any liability incurred by the Scheme Shareholder arising from failure to comply with clause 9.1(a).

9.2 Consent

Each Scheme Shareholder consents to Target and Bidder doing all things necessary or incidental to give full effect to the implementation of this Scheme and the transactions contemplated by it.

9.3 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Target, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Target's registered office or at the office of the Share Registry.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by a Target Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9.4 Governing law and jurisdiction

- (a) This Scheme is governed by the laws in force in New South Wales.
- (b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in New South Wales and courts competent to determine appeals from those courts in respect of any proceedings arising out of or in connection with this Scheme. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

9.5 Further action

Target must do all things and execute all documents necessary to give full effect to this Scheme and the transactions contemplated by it.

9.6 No liability when acting in good faith

None of Target, Bidder, or any of their respective Representatives, will be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

Attachment C. Scheme of Arrangement made under section 411 of the Corporations Act continued

Schedule 1 Dictionary

1 Dictionary

Accrued Interest has the meaning given in clause 5.2(a).

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ABN 98 008 624 691 or, as the context requires, the financial market operated by it known as the “Australian Securities Exchange”.

Bidder means Pacific Health Supplies BidCo Pty Limited ACN 624 033 889.

Business Day means a week day on which trading banks in Sydney are open for trading and the ASX is open for trading.

CHESS means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited and ASX Clear Pty Limited.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Federal Court of Australia or such other court of competent jurisdiction under the Corporations Act agreed to in writing by Target and Bidder.

Deed Poll means the deed poll dated [insert] 2018 under which Bidder covenants in favour of Scheme Shareholders to perform its obligations under this Scheme.

Delivery Time means, in relation to the Second Court Date, 2 hours before the commencement of the hearing or if the commencement of the hearing is adjourned, the commencement of the adjourned hearing, of the court to approve the Scheme in accordance with section 411(4)(b) of the Corporations Act.

Effective means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this Scheme.

Effective Date means the date on which this Scheme becomes Effective.

End Date means the date that is 6 months after the date of execution of the Scheme Implementation Deed or such later date as Bidder and Target agree in writing.

Government Agency means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal, statutory or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any state, or any other federal, state, provincial, local or other government, whether foreign or Australian. It also includes any self-regulatory organisation established under statute or otherwise discharging substantially public or regulatory functions (including ASIC and the Takeovers Panel).

Implementation Date means the fifth Business Day after the Record Date or such other date as the parties to the Scheme Implementation Deed agree in writing.

Listing Rules means the official listing rules of ASX.

Permitted Dividend has the meaning given to that term in the Scheme Implementation Deed.

Record Date means 7:00pm on the fifth Business Day after the Effective Date of the Scheme or such other date after the Effective Date as Bidder and Target agree in writing.

Registered Address means, in relation to a Target Shareholder, the address shown in the Share Register as at the Record Date.

Scheme means this scheme of arrangement, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and agreed to by Bidder and Target.

Scheme Consideration means, in respect of each Scheme Share, A\$3.75, less the aggregate amount per Target Share of any Permitted Dividend(s) paid in accordance with clause 4.3 of the Scheme Implementation Deed.

Scheme Implementation Deed means the scheme implementation deed dated **[insert]** 2018 between Bidder and Target relating to (among other things) the implementation of this Scheme.

Scheme Meeting means the meeting of Target Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act.

Scheme Share means a Target Share held by a Scheme Shareholder as at the Record Date.

Scheme Shareholder means a Target Shareholder as at the Record Date.

Scheme Transfer means one or more proper instruments of transfer in respect of the Scheme Shares for the purposes of section 1071B of the Corporations Act, which may be or include a master transfer of all or part of the Scheme Shares.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving this Scheme is heard (or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard), with such hearing being the **Second Court Hearing**.

Share Register means the register of Target Shareholders maintained in accordance with the Corporations Act.

Share Registry means Computershare Investor Services Pty Limited (ABN 078 279 277).

Target Option has the meaning given to that term in the Scheme Implementation Deed.

Target Performance Right has the meaning given to that term in the Scheme Implementation Deed.

Target Share means a fully paid ordinary share in the capital of Target.

Target Shareholder means a holder of one or more Target Shares, as shown in the Share Register.

Trust Account means an Australian dollar denominated trust account which attracts interest at a commercial rate and is operated by Target as trustee for the Scheme Shareholders, details of which Target must notify to Bidder no later than 5 Business Days

Attachment C. Scheme of Arrangement made under section 411 of the Corporations Act continued

before the Implementation Date. To avoid doubt, any Accrued Interest on funds in the Trust Account will not be held by Target on trust for the Scheme Shareholders but rather will be held by Target on trust for Bidder.

2 Interpretation

In this Scheme, the following rules of interpretation apply unless the contrary intention appears.

- (a) Headings are for convenience only and do not affect the interpretation of this Scheme.
- (b) The singular includes the plural and vice versa.
- (c) Words that are gender neutral or gender specific include each gender.
- (d) Where a word or phrase is given a particular meaning, other parts of speech and grammatical forms of that word or phrase have corresponding meanings.
- (e) The words “include”, “including” and similar expressions are not words of limitation and do not limit what else might be included.
- (f) A reference to:
 - (i) a person includes a natural person, estate of a natural person, partnership, joint venture, government agency, association, corporation or other body corporate or entity (as that term is defined in section 64A of the Corporations Act);
 - (ii) a thing (including a chose in action or other right) includes a part of that thing;
 - (iii) a party includes its successors and permitted assigns;
 - (iv) a document includes all amendments or supplements to that document;
 - (v) a clause, term, party, schedule or attachment is a reference to a clause or term of, or a party, schedule or attachment to, this Scheme (as applicable);
 - (vi) this Scheme includes all schedules to it;
 - (vii) a law includes a constitutional provision, treaty, decree, convention, statute, regulation, ordinance, by-law, judgment, rule of common law or equity or a Listing Rule and is a reference to that law as amended, consolidated or replaced;
 - (viii) an agreement (other than this Scheme) includes an undertaking or legally enforceable arrangement or understanding (whether or not in writing);
 - (ix) a time period includes the date referred to as that on which the period begins and the date referred to as that on which the period ends;
 - (x) a monetary amount is in Australian dollars; and
 - (xi) time is to Sydney, Australia time.

Deed Poll

Attachment D



Attachment D. Deed Poll continued



Deed Poll

Pacific Health Supplies BidCo Pty Limited

In favour of each person registered as a holder of fully paid ordinary shares in LifeHealthcare Group Limited ACN 166 525 186 as at the Record Date

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Attachment D. Deed Poll continued

Date: 14 March 2018

Parties

- 1 **Pacific Health Supplies BidCo Pty Limited** ACN 624 033 889 of Level 31, 126-130 Phillip Street, Sydney New South Wales 2000, Australia (**Bidder**)

In favour of

Each person registered as a holder of fully paid ordinary shares in LifeHealthcare Group Limited ACN 166 525 186 (**Target**) as at the Record Date (**Scheme Shareholders**)

Background

- A Bidder and Target have entered into the Scheme Implementation Deed, under which Bidder is to pay the Scheme Consideration and acquire all Scheme Shares held by Scheme Shareholders under the Scheme, and also under which Bidder has agreed to enter into this deed poll.
- B Bidder is entering into this deed poll for the purpose of covenanting in favour of the Scheme Shareholders to procure and undertake the actions attributed to Bidder under the Scheme.

This deed poll provides as follows

1 Defined terms and interpretation

1.1 Defined terms

In this deed poll:

- (a) **Scheme** means the scheme of arrangement under Part 5.1 of the Corporations Act between Target and the Scheme Shareholders, subject to any alternations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to by Bidder and Target; and
- (b) unless the context otherwise requires, terms defined in the Scheme have the same meaning when used in this deed poll.

1.2 Interpretation

Clause 2 of Schedule 1 to the Scheme applies to the interpretation of this deed poll, except that references to 'Scheme' are to be read as references to 'deed poll'.

1.3 Nature of deed poll

Bidder acknowledges and agrees that:

- (a) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it; and
- (b) under the Scheme, each Scheme Shareholder irrevocably appoints Target and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this deed poll against Bidder.

2 Conditions

2.1 Conditions

The obligations of Bidder under this deed poll are subject to the Scheme becoming Effective.

2.2 Termination

The obligations of Bidder under this deed poll will automatically terminate and the terms of this deed poll will be of no further force or effect if:

- (a) the Scheme Implementation Deed is terminated in accordance with its terms; or
- (b) the Scheme does not become Effective by the End Date,

unless Target and Bidder otherwise agree in writing.

2.3 Consequences of termination

If this deed poll is terminated under clause 2.2, in addition and without prejudice to any other available rights, powers or remedies:

- (a) Bidder is released from its obligations to further perform this deed poll; and
- (b) each Scheme Shareholder retains the rights they have against Bidder in respect of any breach of this deed poll which occurs before it was terminated.

3 Scheme obligations

Subject to clause 2, Bidder undertakes in favour of each Scheme Shareholder to:

- (a) deposit (or procure the deposit of) in cleared funds by no later than the Business Day before the Implementation Date, an amount equal to the aggregate Scheme Consideration payable to all Scheme Shareholders under the Scheme into the Trust Account; and
- (b) undertake all other actions attributed to it under the Scheme,

in each case subject to and in accordance with the terms of the Scheme.

4 Warranties

Bidder represents and warrants in favour of each Scheme Shareholder that:

- (a) it is a corporation validly existing under the laws of its place of incorporation;
- (b) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance by it of this deed poll and to carry out the transactions contemplated by this deed poll;

Attachment D. Deed Poll continued

- (d) this deed poll is valid and binding on it and is enforceable against it in accordance with its terms; and
- (e) this deed poll does not conflict with, or result in the breach of or default under, any provision of its constitution, or any writ, order or injunction, judgment, law, rule or regulation to which it is a party or subject or by which it is bound.

5 Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) Bidder has fully performed its obligations under this deed poll; or
- (b) the earlier termination of this deed poll under clause 2.2.

6 Further assurances

Bidder must, at its own expense, do all things and execute all documents necessary to give full effect to this deed poll and the transactions contemplated by it.

7 General

7.1 Stamp duty

Bidder must:

- (a) pay or procure the payment of all stamp duty (if any) and any related fines and penalties payable on or in respect of the Scheme and/or this deed poll, the performance of the Scheme and/or this deed poll, and each transaction effected by or made under the Scheme and/or this deed poll; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 7.1(a).

7.2 Notices

- (a) Any notice or other communication to Bidder in connection with this deed poll must be:
 - (i) in legible writing in English;
 - (ii) signed by the person making the communication or that person's duly authorised agent; and
 - (iii) given by hand delivery, pre-paid post or email in accordance with the details set out below:

Bidder

Attention: Geoff Hutchinson

Address: Level 31, 126 Phillip Street, Sydney New South Wales 2000, Australia

Email: geoff.hutchinson@pep.com.au

with a copy (for information purposes only) to: tom.story@allens.com.au

- (b) Subject to clause 7.2(c), any notice or other communication given in accordance with clause 7.2(a) will be deemed to have been duly given as follows:
- (i) if delivered by hand, on delivery;
 - (ii) if sent by pre-paid post, on receipt; and
 - (iii) if sent by email:
 - (A) when the sender receives an email from the recipient confirming receipt of the email; or
 - (B) when the sender receives an automated message from the intended recipient's information system confirming delivery of the email,
- whichever happens first.
- (c) Any notice or other communication that, pursuant to clause 7.2(b), would be deemed to be given:
- (i) other than on a Business Day or after 5:00pm on a Business Day is regarded as given at 9:00am on the following Business Day; and
 - (ii) before 9:00am on a Business Day is regarded as given at 9:00am on that Business Day,

where references to time are to time in the place the recipient is located.

7.3 Cumulative rights

The rights, powers and remedies of Bidder and the Scheme Shareholders under this deed poll are cumulative and do not exclude the rights, powers or remedies provided by law independently of this deed poll.

7.4 Waiver

- (a) A party waives a right under this deed poll only by written and signed notice that it waives that right. A waiver is limited to the specific instance to which it relates and to the specific purpose for which it is given.
- (b) Failure to exercise or enforce, a delay in exercising or enforcing or the partial exercise or enforcement of any right, power or remedy provided by law or under this deed poll by any party will not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement, of that or any other right, power or remedy provided by law or under this deed poll.

7.5 Variation

- (a) A provision of this deed poll may not be varied unless:
 - (i) if before the First Court Date (as defined in the Scheme Implementation Deed), the variation is agreed to by Target in writing; or

Attachment D. Deed Poll continued

- (ii) if on or after the First Court Date (as defined in the Scheme Implementation Deed), the variation is agreed to by Target in writing and the Court indicates that the variation would not of itself preclude approval by the Court of the Scheme,

in which event Bidder must enter into a further deed poll in favour of the Scheme Shareholders giving effect to the variation.

7.6 Governing law and jurisdiction

- (a) This deed poll is governed by the laws in force in New South Wales.
- (b) Bidder irrevocably submits to the non-exclusive jurisdiction of courts exercising jurisdiction in New South Wales and courts competent to determine appeals from those courts in respect of any proceedings arising out of or in connection with this deed poll. Bidder irrevocably waives any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

7.7 Assignment

- (a) The rights created by this deed poll are personal to Bidder and each Scheme Shareholder and must not be dealt with at law or in equity without the prior written consent of Bidder.
- (b) Any purported dealing in contravention of clause 7.7(a) is invalid.

7.8 Counterparts

This deed poll may be executed in counterparts, all of which taken together constitute one document.

Execution page

Executed as a deed poll.

Signed and delivered by **Pacific Health Supplies BidCo Pty Limited** in accordance with section 127 of the *Corporations Act 2001* (Cth) by:



Signature of director

GEOFF HUTCHINSON

Name of director (print)



Signature of director/secretary

Matthew Robinson

Name of director/secretary (print)

Independent Expert's Report

Attachment E



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The Directors
 LifeHealthcare Group Limited
 Level 8
 15 Talavera Road
 North Ryde NSW 2113

29 March 2018

Dear Directors

Independent Expert's Report and Financial Services Guide

PART ONE – INDEPENDENT EXPERT'S REPORT

1 Introduction

On 6 February 2018, LifeHealthcare Group Limited (LifeHealthcare) announced that it had entered into a binding Scheme Implementation Deed with Pacific Health Supplies BidCo Pty Limited (the Bidder), an entity owned by funds managed or advised by Pacific Equity Partners, under which it is proposed that the Bidder will acquire 100% of the shares in LifeHealthcare (the Proposed Transaction) by way of a scheme of arrangement (Scheme).

The terms of the proposed Scheme provide that LifeHealthcare shareholders (LifeHealthcare Shareholders) will receive from the Bidder consideration of \$3.75 cash per LifeHealthcare share (LifeHealthcare Share) (Scheme Consideration), less the amount of the Interim Dividend (defined below) and the Special Dividend (defined below) (if declared).

On 20 February 2018, the LifeHealthcare Board declared a fully franked interim dividend of \$0.075 per LifeHealthcare Share (Interim Dividend) with the release of LifeHealthcare's first half FY18 results. LifeHealthcare Shareholders were entitled to receive the Interim Dividend for each LifeHealthcare Share they held on the record date for the Interim Dividend¹. The Interim Dividend was paid on Thursday, 21 March 2018, which reduced the Scheme Consideration payable at the date of this Scheme Booklet to \$3.675 per LifeHealthcare Share (being \$3.75, less the Interim Dividend of \$0.075).

The LifeHealthcare Board has also announced an intention to declare a fully franked special dividend of \$0.18 per LifeHealthcare Share (Special Dividend), subject to the Scheme becoming effective.

¹ 6 March 2018

KPMG Financial Advisory Services (Australia) Pty Ltd is affiliated with KPMG.

KPMG is an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Attachment E. Independent Expert's Report continued



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If the Scheme becomes effective, LifeHealthcare Shareholders will receive a Total Cash Payment of \$3.675 for each LifeHealthcare Share, which is expected to comprise:

- a fully franked Special Dividend of \$0.18 per LifeHealthcare Share that they hold on the record date for the special dividend (payable by LifeHealthcare); and
- remaining Scheme Consideration of \$3.495 for each LifeHealthcare Share they hold on the Scheme Record Date (payable by the Bidder).

The Special Dividend has not yet been declared by the LifeHealthcare Board and remains at the absolute discretion of the LifeHealthcare Board. If the LifeHealthcare Board does not declare the Special Dividend but the Scheme nevertheless proceeds, the remaining Scheme Consideration will be \$3.675 per LifeHealthcare Share.

In accordance with LifeHealthcare's Long Term Incentive Plan, the LifeHealthcare Board has exercised its discretion and determined that all of the LifeHealthcare Options and LifeHealthcare Performance Rights will vest and be treated in the following manner as part of the Scheme:

- subject to the Scheme becoming effective, the LifeHealthcare Performance Rights will automatically convert into LifeHealthcare Shares on the Effective Date²;
- subject to the Scheme becoming effective, the LifeHealthcare Options that are validly exercised will convert into LifeHealthcare Shares on the Effective Date¹¹ and any LifeHealthcare Options that are not validly exercised will lapse; and
- LifeHealthcare Shares issued to the former holders of LifeHealthcare Options and LifeHealthcare Performance Rights will be acquired by the Bidder on the Implementation Date as part of the Scheme, and the holders of those LifeHealthcare Shares will be entitled to receive the Total Cash Payments.

LifeHealthcare is a specialised independent distributor of high end medical devices in Australia and New Zealand. It is listed on the ASX (ASX:LHC) and as at 2 February 2018, the last trading day immediately prior to the announcement of the Proposed Transaction, it had a market capitalisation of \$122.7 million.³

Pacific Equity Partners is an Australian-based private equity firm. Funds managed by Pacific Equity Partners have made more than 26 operating company investments and more than 90 bolt-on acquisitions. It is the largest private equity fund manager in Australasia with approximately \$2.5 billion funds under advisement.

The Directors of LifeHealthcare have engaged KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (KPMG Corporate Finance) to prepare an independent expert's report for the LifeHealthcare Shareholders in relation to the Proposed Transaction.

² Date on which the Scheme becomes effective, expected to be 11 May 2018.

³ Based on a closing price of \$2.57 on 2 February 2018 and 47,753,621 LifeHealthcare Shares on a diluted basis, comprising 44,933,172 LifeHealthcare Shares, 2,673,327 LifeHealthcare Options and 147,122 LifeHealthcare Performance Rights.



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This report sets out the opinion of KPMG Corporate Finance as to the merits or otherwise of the Scheme. This report should be considered in conjunction with and not independently of the information set out in the Notice of Meeting and Explanatory Statement (Scheme Booklet).

Further information regarding KPMG Corporate Finance, as it pertains to the preparation of this report, is set out in Appendix 1.

KPMG Corporate Finance's Financial Services Guide is contained in Part Two of this report.

2 Scope of Report

This report has been prepared in accordance with Section 411 of the Corporations Act (Cth) (Corporations Act) and the guidance provided by the Australian Securities and Investments Commission (ASIC). Although there is no technical requirement for an independent expert's report to be prepared in relation to the Scheme, it is a requirement of the Scheme Implementation Deed. The deed states that the recommendation by the LifeHealthcare Board in relation to the Scheme is subject to an independent expert report opining that the Scheme is in the best interests of LifeHealthcare Shareholders.

In undertaking our work we have had regard to the guidance provided by ASIC in its Regulatory Guides and in particular Regulatory Guide 111 'Content of expert reports' (RG 111), which outlines the principles and matters which it expects a person preparing an independent expert's report to consider when providing an opinion.

Further details of the relevant technical requirements and the basis of assessment in forming our opinion are set out in Section 5 of this report.

3 Summary of opinion

In our opinion, the Scheme is **in the best interests of LifeHealthcare Shareholders** in the absence of a superior proposal.

In arriving at this opinion, we have assessed whether the Scheme is:

- fair, by comparing the Total Cash Payment to our assessed value of a LifeHealthcare Share on a controlling interest basis. This approach is in accordance with the guidance set out in RG 111, and
- reasonable, by assessing the implications of the Scheme for LifeHealthcare Shareholders, the alternatives to the Scheme which are available to LifeHealthcare Shareholders and the consequences for LifeHealthcare Shareholders of not approving the Scheme.

Our assessment has concluded that the Scheme is fair and reasonable. As such, in accordance with RG 111, we have concluded that the Scheme is in the best interests of LifeHealthcare Shareholders.

Assessment of fairness

In forming our view as to the value of LifeHealthcare, we have considered a series of factors including LifeHealthcare's earnings profile, market position and growth prospects. As required by RG 111 we have valued LifeHealthcare on a controlling interest basis.

Attachment E. Independent Expert's Report continued



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We have assessed the value of a LifeHealthcare Share to be in the range \$3.54 to \$3.96. Our range of assessed values for LifeHealthcare incorporates synergies and benefits that would generally be available to a pool of purchasers. It does not include other potential synergies available to any particular acquirer.

As the Total Cash Payment of \$3.675 per LifeHealthcare Share is within our assessed value range for a LifeHealthcare Share, we consider the Scheme to be fair.

Our analysis of the fairness of the Scheme is detailed further in Section 3.1 below.

Assessment of reasonableness

In accordance with RG 111, an offer is reasonable if it is fair. As we have assessed the Scheme to be fair, this means that the Scheme is reasonable. However, we have also considered a range of other factors that are relevant to assessing the reasonableness which, on balance, support a reasonableness conclusion. These include:

- the Total Cash Payment plus Interim Dividend represents a substantial premium to the trading price of LifeHealthcare Shares prior to the announcement of the Proposed Transaction. Therefore, the Scheme represents the best opportunity for LifeHealthcare Shareholders to realise a control value for their LifeHealthcare Shares in the absence of a superior proposal
- the Total Cash Payment is in cash and allows LifeHealthcare Shareholders to immediately realise the value from their investment. It provides certainty as to the pre-tax amount they will receive and to the extent that a Special Dividend is declared, may include franking credits
- LifeHealthcare Shareholders are no longer exposed to the risks to which LifeHealthcare is exposed (e.g. risks associated with the execution of its growth strategy, healthcare reforms or loss of sales representatives to a competitor)
- no superior alternative proposal has been received by the LifeHealthcare Board since the announcement of the Scheme
- in the absence of the Scheme or a superior alternative proposal, the LifeHealthcare Share price is likely to fall to levels that do not include a control premium.

LifeHealthcare Shareholders should also consider the general tax implications associated with the Scheme, the number of conditions which if not satisfied will result in the Scheme not being implemented and the transaction costs that will be incurred irrespective of whether the Scheme is implemented.

Our analysis of the reasonableness of the Scheme is detailed further in Section 3.2 of this report.

The decision of whether or not to approve the Scheme is a matter for individual LifeHealthcare Shareholders based on their views as to value, expectations about future market conditions and their particular circumstances including their investment strategy and portfolio, risk profile and tax position. If in doubt, LifeHealthcare Shareholders should consult their own professional adviser regarding the action they should take in relation to the Scheme.



Our opinion is based solely on information available as at the date of this report as set out in Appendix 2 of the attached report. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion. We refer readers to the limitations and reliance on information as set out in Section 5.3 of our report.

3.1 *The Scheme is fair*

We have assessed the value of LifeHealthcare (inclusive of a control premium) to be in the range of \$169.3 million to \$189.3 million, which corresponds to a value of \$3.54 to \$3.96 per LifeHealthcare Share. As the Total Cash Payment of \$3.675 per LifeHealthcare Share is within our assessed value range for a LifeHealthcare Share, we consider the Scheme to be fair.

Our valuation is set out in Section 7 of this report and is summarised below.

Table 1: LifeHealthcare valuation summary

\$ millions (unless otherwise stated)	Section reference	Value range	
		Low	High
Value of LifeHealthcare operating business (including synergies)	7.3	205.0	225.0
Other assets/(liabilities) (net)	7.4	-	-
Enterprise value		205.0	225.0
Adjusted net interest bearing liabilities	7.5	(35.7)	(35.7)
Value of 100% of the equity in LifeHealthcare		169.3	189.3
Diluted number of LifeHealthcare Shares outstanding (millions) ¹		47.8	47.8
Value per LifeHealthcare Share		\$3.54	\$3.96

Source: KPMG Corporate Finance analysis.

Notes:

1: Includes 2,820,449 new LifeHealthcare Shares issued under the Long Term Incentive Plan.

2: Table may not add due to rounding.

Our valuation reflects 100% ownership of LifeHealthcare and, therefore, incorporates a control premium. As a result, we would expect the valuation to be in excess of the price at which LifeHealthcare Shares would trade on the ASX in the absence of a takeover offer. In assessing an appropriate premium for control in accordance with RG 111, we have considered synergies that may be available to healthcare distributors with operations in Australia. Direct synergies available to such an acquirer may include public company costs, a portion of executive salaries and corporate salaries and all warehouse costs associated with regional sales offices (assuming the acquirer had its own regional sales offices). Therefore, the valuation assumes that these expenses are eliminated (see Section 7.2.3).

The value attributed to LifeHealthcare's operating business has been based on a Discounted Cash Flow (DCF) methodology and has been cross-checked utilising a Capitalisation of Earnings methodology. We have then added non-operating assets and deducted adjusted net

Attachment E. Independent Expert's Report continued



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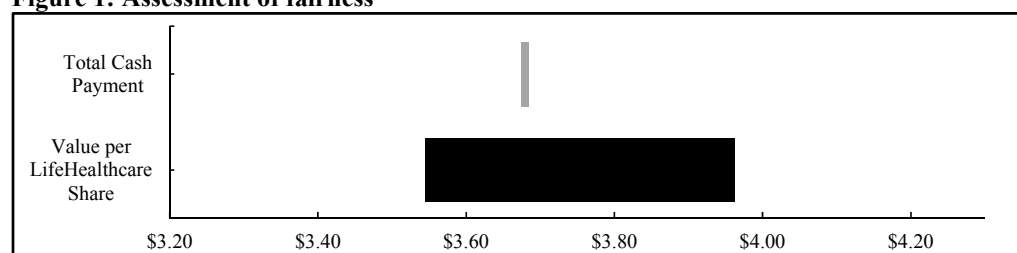
interest bearing liabilities as at 31 December 2017.⁴ The valuation of a LifeHealthcare Share is set out in Section 7 of this report.

The key factors considered in our assessment of the value of LifeHealthcare are:

- strong growth outlook for the medical device industry in Australia
- LifeHealthcare's strong earnings outlook, including above industry growth in spine and orthopaedics as a result of recent acquisitions, new product introductions and its focus on young clinicians whose practices are growing more rapidly
- its strong relationships with clinicians and ability to leverage those relationships to achieve growth (e.g. introducing new products to LifeHealthcare's clinicians)
- its reliance on key sales representatives in spine and orthopaedics
- its long term contracts with suppliers of medical devices
- its relatively low operating leverage and high capital expenditure requirements
- its differentiated, relatively high margin products
- regulatory risks and level of competition, and
- synergies available to healthcare distributors with operations in Australia.

A comparison of our assessed value per LifeHealthcare Share on a control basis to the Total Cash Payment is illustrated below.

Figure 1: Assessment of fairness



Source: KPMG Corporate Finance analysis.

As the Total Cash Payment of \$3.675 per LifeHealthcare Share falls within our assessed value range for a LifeHealthcare Share of \$3.54 to \$3.96, we consider the Scheme to be fair.

⁴ Net interest bearing liabilities as at 31 December 2017 has been adjusted to reflect \$6.4 million cash received on exercise of Options, payment of the Interim Dividend and payment of the \$0.3 million earn-out to Point Blank Medical. We have not deducted the cash (or additional borrowings under the 6th Amendment Facility Deed) required to pay the Special Dividend (if declared) from our assessed value. Our assessed value is compared to the Total Cash Payment of \$3.675, which includes the Special Dividend (if applicable).



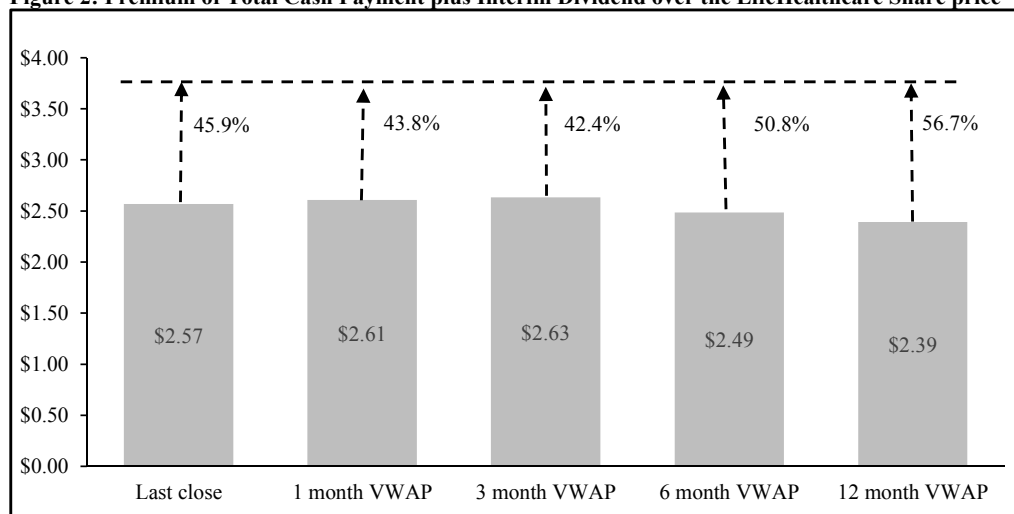
3.2 *The Scheme is reasonable*

In accordance with RG 111, an offer is reasonable if it is fair. As we have assessed the Scheme to be fair, this would imply that it is reasonable. However, irrespective of the statutory obligation to conclude the Scheme is reasonable, we have also considered a range of factors as set out below which, on balance, in our opinion support a reasonableness conclusion in isolation of our fairness opinion.

The Total Cash Payment plus Interim Dividend offered under the Proposed Transaction represents a substantial premium to the trading price of LifeHealthcare Shares prior to the announcement of the Proposed Transaction

The Total Cash Payment plus Interim Dividend of \$3.75 represents a 45.9% premium to the last closing price of LifeHealthcare Shares on 2 February 2018 (the last trading day prior to the announcement of the Proposed Transaction).

Figure 2: Premium of Total Cash Payment plus Interim Dividend over the LifeHealthcare Share price



Source: IRESS, KPMG Corporate Finance analysis.

Note: The premiums illustrated above have been calculated based on the volume weighted average price (VWAP) of LifeHealthcare Shares up to and including 2 February 2018, the last trading day prior to the announcement of the Proposed Transaction.

With regard to our assessment of the premium implied by the Total Cash Payment plus Interim Dividend, we note:

- it is commonly accepted that acquirers of 100% of a business should pay a premium over the value implied by the trading price of a security to reflect their ability to obtain control over the target's strategy and operations, as well as extract synergies from integration. Observations from transaction evidence indicate that takeover premiums concentrate around a range between 25% and 40%⁵ for completed takeovers, depending on the individual

⁵ KPMG Corporate Finance analysis based on Mergerstat data for Australian transactions completed between 2008 and 2017, comparing the Mergerstat 'unaffected' share price of the target company to the final offer price.

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circumstances of the specific transaction. In transactions where it was estimated that significant synergies could be achieved, the takeover premium was frequently estimated to be at the high end of this range or greater

- the observed premiums based on the closing price on 2 February 2018, one month and three month VWAPs are in excess of the premiums indicated by transaction evidence
- the substantial premium offered by the Bidder over LifeHealthcare's trading price likely reflects the potential for LifeHealthcare to provide a platform to undertake further strategic acquisitions in the medical device industry, and
- when the Total Cash Payment plus Interim Dividend is compared to pre-announcement prices over a longer period, the premium is even higher. Premiums calculated for LifeHealthcare based on share trading over periods of greater than three months prior to the announcement of the Proposed Transaction are less relevant. Prior to 13 October 2017,⁶ the LifeHealthcare Share price was adversely impacted by uncertainty as to the potential impact of the Prostheses List reforms.

Certainty of value

The Proposed Transaction offers LifeHealthcare Shareholders an opportunity to exit their investment in LifeHealthcare at a price that is certain and which incorporates a substantial premium for control and, to the extent that a Special Dividend is declared, may include franking credits. In the absence of the Proposed Transaction or a similar transaction, LifeHealthcare Shareholders could only realise their investment by selling on market at a price that does not include a premium for control and would incur transaction costs (e.g. brokerage). There is no certainty as to the price at which LifeHealthcare Shareholders would be able to realise their investment in the future, particularly given trading of LifeHealthcare Shares is relatively illiquid and as a result, the LifeHealthcare Share price has tended to be fairly volatile.⁷

By exiting their investment in LifeHealthcare, LifeHealthcare Shareholders will not participate in the potential longer term benefits from any future growth of the business

By exiting their investment in LifeHealthcare, Shareholders will not participate in the potential longer term benefits from any future growth in the business (in addition to that forecasted), nor be exposed to any of LifeHealthcare's future risks. In this regard, LifeHealthcare's strategy is to continue to grow its business and it is well-positioned to capitalise on its existing footprint and the expected growth in spine and orthopaedics. However, there are a number of risks associated with an investment in LifeHealthcare, including risks associated with the execution of its growth strategy, healthcare reforms, potential loss of sales representatives to a competitor, a sustained depreciation of the Australian dollar against the US dollar and/or Euro and loss of key suppliers or customers. These risks are detailed in Sections 6.4 and 6.5 of the Scheme Booklet.

⁶ On 13 October 2017, the strategic agreement on the Prostheses List was announced and LifeHealthcare quantified the impact of these reforms on revenues.

⁷ The LifeHealthcare Share price has been fairly volatile since early 2015. Refer to Section 6.7.1 of this report.



No superior alternative proposal has been presented

Under the Scheme Implementation Deed, LifeHealthcare is restricted from either soliciting or entering into discussions with third parties in relation to alternative proposals (other than the director fiduciary duty carve out). LifeHealthcare is also required to notify the Bidder should it become aware of any possible alternative proposal and the Bidder has a last right to match a competing proposal. Further, under certain circumstances LifeHealthcare would be required to pay a break fee to the Bidder of approximately \$1.8 million.⁸

Although the likelihood of a superior alternative proposal is impacted by these terms, it does not preclude an alternative proposal from being made. We note that the Directors of LifeHealthcare would be required under their fiduciary duties to consider the merits of an alternative proposal should it arise.

There will continue to be opportunity for interested parties to put forward a superior proposal to the Proposed Transaction until the Scheme Meeting. However, we are not aware of an alternative proposal as at the date of this report.

LifeHealthcare's Share price will likely fall in the absence of the Proposed Transaction

The current LifeHealthcare Share price reflects the terms of the Proposed Transaction and, therefore, includes a control premium, and since 5 March 2018⁹, it is trading on an 'ex dividend' basis (i.e. excluding the impact of the Interim Dividend). As such, in the absence of the Scheme, an alternative proposal or speculation concerning an alternative proposal, the LifeHealthcare Share price is likely to fall from current levels to levels consistent with trading prices prior to the announcement of the Proposed Transaction, with allowance for the payment of the Interim Dividend, any company specific initiatives or financial achievements in the subsequent period which the market may assess as value enhancing, the impact of trends in broader equity markets. In this regard:

- from the announcement of the strategic agreement on the Prostheses List (13 October 2017) until the last trading day prior to the announcement of the Proposed Transaction (2 February 2018), the LifeHealthcare share price traded between \$2.41 and \$2.74
- LifeHealthcare Shares have only traded above \$3.75 for a very brief period in June 2015, and
- the relative illiquidity of LifeHealthcare's Shares may adversely impact any LifeHealthcare Shareholder wishing to sell any more than a small parcel of shares.

On the other hand, LifeHealthcare has a positive earnings outlook over the short to medium term. Its strategy includes pursuing growth opportunities both organically and through small, bolt-on acquisitions. It is possible that this growth could be continue to be funded from operating cash flows and borrowings (gearing is moderate) or alternatively, an equity injection

⁸ Calculated as 1% of the aggregate Scheme Consideration for all LifeHealthcare Shares under the Scheme (before any reduction for the amount of any Permitted Dividends), where aggregate Scheme Consideration is \$3.75 per LifeHealthcare Share multiplied by 47,753,621 diluted LifeHealthcare Shares.

⁹ The 'ex dividend' date for the Interim Dividend.

Attachment E. Independent Expert's Report continued



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(although this has not yet been tested). Consequently, in the absence of any countervailing factors, it is possible that the LifeHealthcare Share price could increase to \$3.675 (Total Cash Payment, which excludes the Interim Dividend) over the medium term. On the other hand, it should be noted that the Total Cash Payment plus Interim Dividend provides a significant premium for control to trading prices prior the announcement of the Proposed Transaction and, in KPMG Corporate Finance's opinion, adequately compensates LifeHealthcare Shareholders for LifeHealthcare's growth prospects.

3.3 *Other considerations*

In forming our opinion, we have also considered a number of other factors, as detailed below. Although we do not consider these factors impact our assessment of the reasonableness of the Scheme, we consider it appropriate for LifeHealthcare Shareholders to consider these factors in assessing the Scheme.

Transaction costs associated with the Scheme

LifeHealthcare management has estimated that in the event the Scheme does not proceed, LifeHealthcare will incur costs of approximately \$1.7 million (plus GST, excluding any break fee) in relation to the Proposed Transaction. One-off transaction costs associated with the Scheme primarily relate to adviser, legal and expert fees.

The Scheme is subject to the satisfaction of a number of conditions

There are a number of conditions which, if not satisfied, will result in the Scheme not being implemented.

If the Scheme is not approved, LifeHealthcare Shareholders will continue to hold their existing LifeHealthcare Shares.

Taxation implications for LifeHealthcare Shareholders

LifeHealthcare has requested the Australian Taxation Office (ATO) to issue a Class Ruling which seeks to confirm a range of matters relating to the income tax treatment of LifeHealthcare Shareholders who receive the Special Dividend. The ATO has not issued the Class Ruling requested as at the date of this report. LifeHealthcare's tax advisers anticipate that the ruling will be consistent with the advice provided in Section 7 of the Scheme Booklet.

Section 7 of the Scheme Booklet sets out a general description of the tax consequences for LifeHealthcare Shareholders who hold their LifeHealthcare Shares on capital account. If the Scheme is implemented, those Australian resident LifeHealthcare Shareholders will be deemed to have disposed of their LifeHealthcare Shares and the disposal will constitute a capital gains tax event. LifeHealthcare Shareholders will make a capital gain or loss depending on the cost base of their LifeHealthcare Shares and whether or not a Special Dividend (expected to be \$0.18 per LifeHealthcare Share) is declared:

- if not declared, the capital proceeds should include Total Cash Payment of \$3.675 per Share, and



- if declared, and subject to the Class Ruling, the Special Dividend should not form part of the capital proceeds and the capital proceeds should include remaining Scheme Consideration of \$3.495 per Share.

The capital proceeds should not include the Interim Dividend.

If declared, the Special Dividend should form part of LifeHealthcare Shareholders assessable income and is expected to be fully franked.

LifeHealthcare Shareholders who are not Australian residents and who hold portfolio interests are generally not subject to Australian capital gains tax, however, are subject to non-resident withholding tax on the Special Dividend.

We note that LifeHealthcare Shareholders should consider their individual circumstances, review Section 7 of the Scheme Booklet for further information where it applies to their circumstances and should seek the advice of their own professional adviser.

LifeHealthcare's Directors have indicated they will vote in favour of the Scheme

The Directors of LifeHealthcare have also indicated that they will vote all their LifeHealthcare Shares in favour of the Scheme, subject to our opinion and in the absence of a superior proposal (Section 2 of the Scheme Booklet).

3.4 Consequences if the Scheme does not proceed

In the event that the Scheme is not approved or any conditions precedent prevent the Scheme from being implemented, LifeHealthcare will continue to operate in its current form and remain listed on the ASX. As a consequence:

- LifeHealthcare will continue to operate as a standalone entity and execute on its strategy. This strategy includes pursuing growth opportunities both organically and through bolt-on acquisitions
- LifeHealthcare Shareholders will not receive the Total Cash Payment and the implications of the Scheme, as summarised above, will not occur, other than with respect to the one-off transaction costs incurred, or committed to, prior to the Scheme Meeting. LifeHealthcare would not be liable to pay a break fee
- LifeHealthcare Shareholders will not receive the Special Dividend (if declared)
- LifeHealthcare Shareholders will continue to be exposed to the benefits and risks associated with an investment in LifeHealthcare, and
- in the absence of a superior alternative proposal, LifeHealthcare's Share price will likely fall, for the reasons set out previously.

3.5 Other matters

In forming our opinion, we have considered the interests of LifeHealthcare Shareholders as a whole. This advice, therefore, does not consider the financial situation, objectives or needs of individual LifeHealthcare Shareholders. It is not practical or possible to assess the implications of the Scheme on individual LifeHealthcare Shareholders as their financial circumstances are

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not known. The decision of LifeHealthcare Shareholders as to whether or not to approve the Scheme is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual LifeHealthcare Shareholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to vote for or against the proposed resolutions may be influenced by his or her particular circumstances, we recommend that individual LifeHealthcare Shareholders including residents of foreign jurisdictions seek their own independent professional advice.

Our report has also been prepared in accordance with the relevant provisions of the Corporations Act and other applicable Australian regulatory requirements. This report has been prepared solely for the purpose of assisting LifeHealthcare Shareholders in considering the Scheme. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

All currency amounts in this report are denominated in Australian dollars unless otherwise stated. References to an Australian financial year (i.e. the 12 months to 30 June) have been abbreviated to FY.

Neither the whole nor any part of this report or its attachments or any reference thereto may be included in or attached to any document, other than the Scheme Booklet to be sent to LifeHealthcare Shareholders in relation to the Scheme, without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears. KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it appears in the Scheme Booklet.

Our opinion is based solely on information available as at the date of this report as set out in Appendix 2. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion. We refer readers to the limitations and reliance on information as set out in Section 5.3 of our report.

The above opinion should be considered in conjunction with and not independently of the information set out in the remainder of this report, including the appendices.

Ian Jedlin
 Authorised representative

Sean Collins
 Authorised representative



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4 The Proposed Transaction

On 6 February 2018, Directors of LifeHealthcare announced that it had entered into a binding Scheme Implementation Deed with the Bidder, an entity owned by funds managed or advised by Pacific Equity Partners, under which the Bidder would acquire 100% of the shares in LifeHealthcare (the Proposed Transaction) by way of a Scheme.

The terms of the proposed Scheme provide that LifeHealthcare Shareholders will receive from the Bidder Scheme Consideration of \$3.75 cash per LifeHealthcare Share, less the amount of the Interim Dividend (defined below) and the Special Dividend (defined below) (if declared).

On 20 February 2018, the LifeHealthcare Board declared a fully franked interim dividend of \$0.075 per LifeHealthcare Share (Interim Dividend) with the release of LifeHealthcare's first half FY18 results. LifeHealthcare Shareholders were entitled to receive the Interim Dividend for each LifeHealthcare Share they held on the record date for the Interim Dividend.¹⁰ The Interim Dividend was paid on Thursday, 21 March 2018, which reduced the Scheme Consideration payable at the date of this Scheme Booklet to \$3.675 per LifeHealthcare Share (being \$3.75, less the Interim Dividend of \$0.075).

The LifeHealthcare Board has also announced an intention to declare a fully franked special dividend of \$0.18 per LifeHealthcare Share (Special Dividend), subject to the Scheme becoming effective.

If the Scheme becomes effective, LifeHealthcare Shareholders will receive a Total Cash Payment of \$3.675 for each LifeHealthcare Share, which is expected to comprise:

- a fully franked Special Dividend of \$0.18 per LifeHealthcare Share that they hold on the record date for the special dividend (payable by LifeHealthcare); and
- remaining Scheme Consideration of \$3.495 for each LifeHealthcare Share they hold on the Scheme Record Date (payable by the Bidder).

The Special Dividend has not yet been declared by the LifeHealthcare Board and remains at the absolute discretion of the LifeHealthcare Board. If the LifeHealthcare Board does not declare the Special Dividend but the Scheme nevertheless proceeds, the remaining Scheme Consideration will be \$3.675 per LifeHealthcare Share.

In accordance with LifeHealthcare's Long Term Incentive Plan, the LifeHealthcare Board has exercised its discretion and determined that all of the LifeHealthcare Options and LifeHealthcare Performance Rights will vest and be treated in the following manner as part of the Scheme:

- subject to the Scheme becoming effective, the LifeHealthcare Performance Rights will automatically convert into LifeHealthcare Shares on the Effective Date¹¹;

¹⁰ 6 March 2018

¹¹ Date on which the scheme becomes effective, expected to be 11 May 2018.

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- subject to the Scheme becoming effective, the LifeHealthcare Options that are validly exercised will convert into LifeHealthcare Shares on the Effective Date¹¹ and any LifeHealthcare Options that are not validly exercised will lapse; and
- LifeHealthcare Shares issued to the former holders of LifeHealthcare Options and LifeHealthcare Performance Rights will be acquired by the Bidder on the Implementation Date as part of the Scheme, and the holders of those LifeHealthcare Shares will be entitled to receive the Total Cash Payments.

The LifeHealthcare Directors have indicated that they unanimously recommend that LifeHealthcare Shareholders vote in favour of the Scheme in the absence of a superior competing proposal and subject to the independent expert concluding that the Scheme is in the best interests of LifeHealthcare Shareholders. Subject to those same qualifications, each Director intends to vote all LifeHealthcare Shares held by them in favour of the Scheme.

4.1 *Conditions of the Scheme*

The Scheme is subject to a number of conditions which are set out in Section 1.2 of the Scheme Booklet and Clause 3.1 of the Scheme Implementation Deed. The key conditions which must be satisfied or waived (where this is possible), are:

- Court approval
- LifeHealthcare Shareholder approval
- no change of the LifeHealthcare Board recommendation, and
- other customary conditions, including 'no material adverse change', 'no prescribed occurrence', 'no restraints' and various representations and warranties.

The Scheme Implementation Deed also contains certain exclusivity provisions that apply during the Exclusivity Period¹² including 'no shop', 'no talk' and 'no due diligence' restrictions, a notification obligation and a matching right, subject (in the case of the 'no talk' and 'no due diligence' restrictions) to the Directors' fiduciary obligations. A break fee of 1% of the aggregate Scheme Consideration (which is approximately \$1.8 million) will be payable to the Bidder by LifeHealthcare in certain circumstances. Further details of the exclusivity provisions and break fee are contained Sections 3.9 and 3.10 of the Scheme Booklet and Clauses 8 and 9 of the Scheme Implementation Deed.

LifeHealthcare Shareholders should also be aware that the Scheme Implementation Deed may be terminated in certain circumstances if the Scheme does not become effective by 27 July 2018 or such later date as agreed in writing between the parties, as detailed in Section 3.8 of the Scheme Booklet and Clause 12 of the Scheme Implementation Deed.

¹² The period commencing on 5 February 2018 and ending on the earlier of the date on which the Scheme Implementation Deed is terminated or 27 July 2018 (or such later date as LifeHealthcare and the Bidder agree in writing).



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If the Scheme Implementation Deed is terminated or the conditions are not satisfied or waived, the Scheme will not proceed.

4.2 *Cost of the Scheme*

In the event the Scheme does not proceed, LifeHealthcare will incur estimated costs of approximately \$1.7 million plus GST excluding any break fee.

Attachment E. Independent Expert's Report continued



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5 Scope of the report

5.1 Purpose

The Directors of LifeHealthcare have engaged KPMG Corporate Finance to prepare an independent expert's report in accordance with Section 411 of the Corporations Act and the guidance provided by ASIC. Although there is no technical requirement for an independent expert's report to be prepared in relation to the Scheme, it is a requirement of the Scheme Implementation Deed. The deed states that the recommendation by the LifeHealthcare Board in relation to the Scheme is subject to an independent expert report opining that the Scheme is in the best interests of LifeHealthcare Shareholders.

5.2 Basis of assessment

We have had regard to the guidance provided by ASIC in its Regulatory Guides and in particular Regulatory Guide (RG) 111 "Contents of expert reports", which outlines the principles and matters which it expects a person preparing an independent expert's report to consider when providing an opinion.

RG 111.18 states that where a scheme of arrangement is used as an alternative to a takeover bid, the form of analysis undertaken by the expert should be substantially the same as for a takeover bid. That form of analysis considers whether the transaction is 'fair and reasonable' and, as such, incorporates issues as to value. In particular:

- 'fair and reasonable' is not regarded as a compound phrase
- an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities subject to the offer
- the comparison should be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash
- the expert should not consider the percentage holding of the 'bidder' or its associates in the target when making this comparison, and
- an offer is 'reasonable' if it is 'fair'.

RG 111.20 states that if an expert would conclude that a proposal was 'fair and reasonable' if it was in the form of a takeover bid, it will also be able to conclude that the scheme is 'in the best interests' of the members of the company.

In the circumstance of a 'not fair but reasonable' outcome, RG 111.21 states that the expert can also conclude that the scheme is 'in the best interests' on the basis that it clearly states that the consideration is less than the value of the securities subject to the scheme but that there are sufficient reasons for members to vote in favour of the scheme in the absence of a higher offer.

RG 111 provides that an offer is fair if the value of the consideration is equal to or greater than the value of the shares subject to the offer. It is a requirement of RG 111 that the comparison be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash and without regard to the percentage holding of the bidder or its associates in the



target prior to the bid. That is, RG 111 requires the value of the target to be assessed as if the bidder was acquiring 100% of the issued equity (i.e. on a controlling interest basis). In addition to the points noted above, RG 111 notes that the weight of judicial authority is that an expert should not reflect 'special value' that might accrue to the acquirer.

Accordingly, when assessing the full underlying value of LifeHealthcare we have considered those synergies and benefits which would be available to more than one potential purchaser (or a pool of potential purchasers) of LifeHealthcare. As such, we have not included the value of special benefits that may be unique to the bidder. Accordingly, our valuation of LifeHealthcare has been determined without regard to the specific bidder, and any special benefits have been considered separately.

Reasonableness involves an analysis of other factors that shareholders might consider prior to accepting an offer, such as:

- the bidder's pre-existing shareholding in the target
- other significant shareholdings in the target
- the liquidity of the market in the target's securities
- any special value of the target to the bidder
- the likely market price of the target's shares in the absence of the offer
- the likelihood of an alternative offer being made, and
- any other advantages, disadvantages and risks associated with accepting the offer.

In forming our opinion, we have considered the interests of LifeHealthcare Shareholders as a whole. As an individual LifeHealthcare Shareholder's decision to vote for or against the proposed resolutions may be influenced by their individual circumstances, we recommend they each consult their own financial advisor.

5.3 *Limitations and reliance on information*

In preparing this report and arriving at our opinion, we have considered the information detailed in Appendix 2 of this report. In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying it. Nothing in this report should be taken to imply that KPMG Corporate Finance has in any way carried out an audit of the books of account or other records of LifeHealthcare for the purposes of this report.

Further, we note that an important part of the information base used in forming our opinion is comprised of the opinions and judgements of management. In addition, we have also had discussions with LifeHealthcare's management, in relation to the nature of LifeHealthcare's operating business, its specific risks and opportunities, its historical results and its prospects for the foreseeable future. This type of information has been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

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LifeHealthcare has been responsible for ensuring that information provided by it or its representatives is not false, misleading or incomplete. Complete information is deemed to be information which at the time of completing this report should have been made available to KPMG Corporate Finance and would have reasonably been expected to have been made available to KPMG Corporate Finance to enable us to form our opinion.

We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

The information provided to KPMG Corporate Finance included the following forward-looking financial information:

- FY18 forecast for LifeHealthcare (FY18 Forecast)
- FY18 budget for LifeHealthcare (FY18 Budget)
- LifeHealthcare Strategic Plan FY18 (Strategic Plan), and
- cash flow model for LifeHealthcare for the period from 1 July 2017 to 30 June 2024 (Cash Flow Model).

KPMG Corporate Finance has relied upon this forward-looking financial information in preparing this report and LifeHealthcare remains responsible for all aspects of this forward-looking financial information. The forecasts and projections as supplied to us are based upon assumptions about events and circumstances which have not yet transpired. We have not tested individual assumptions or attempted to substantiate the veracity or integrity of such assumptions in relation to any forward-looking financial information or tested the mathematical integrity of the models.

KPMG Corporate Finance has undertaken various enquiries in relation to the Cash Flow Model, including holding discussions with management in regard to the commercial assumptions underlying the Cash Flow Model. We have reviewed the key commercial assumptions in the context of current economic, financial and other conditions (e.g. regulatory, contractual). KPMG Corporate Finance is of the view that the forward-looking information has been prepared on a reasonable basis and, therefore, is suitable as a basis for our valuations. In making this assessment, we have taken into account the following:

- the Cash Flow Model was prepared by the management of LifeHealthcare in conjunction with their advisors
- the Cash Flow Model is based on the FY18 Forecast and has been updated based upon actual results to 31 December 2017
- the FY18 Budget and Strategic Plan are endorsed by the LifeHealthcare Board
- the Cash Flow Model was prepared for the purpose of the Proposed Transaction. However, KPMG Corporate Finance has no reason to believe that there is any bias, either positive or negative



- each clinical channel is modelled separately. Organic revenue growth rates for each clinical channel are consistent with independent industry growth forecasts, with the exception of spine and orthopaedics. In this case, higher growth is expected as a result of LifeHealthcare's focus on young clinicians whose practices are growing more rapidly and the roll out of additional products to existing clinicians
- capital and working capital requirements are consistent with historical experience
- pricing of certain medical devices is regulated and, therefore, is relatively stable and predictable (within regulatory periods)
- contracts with suppliers are long term, and
- there are a range of strategies available to management to mitigate the impact of factors influencing gross margins (e.g. foreign exchange rates).

Notwithstanding the above, KPMG Corporate Finance cannot provide any assurance that the forward-looking financial information will be representative of the results that will actually be achieved during the forecast period. Any variations in the forward-looking financial information may affect our valuation and opinion.

The opinion of KPMG Corporate Finance is based on prevailing market, economic and other conditions at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon our opinion. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

5.4 Disclosure of information

In preparing this report, KPMG Corporate Finance has had access to all financial information considered necessary in order to provide the required opinion. LifeHealthcare has requested KPMG Corporate Finance limit the disclosure of some commercially sensitive information relating to LifeHealthcare. This request has been made on the basis of the commercially sensitive and confidential nature of the operational and financial information of LifeHealthcare. As such the information in this report has been limited to the type of information that is regularly placed into the public domain by LifeHealthcare.

Attachment E. Independent Expert's Report continued



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6 Profile of LifeHealthcare

6.1 Background

LifeHealthcare is a specialised independent distributor of high end medical devices in Australia and New Zealand. It was founded in 2006 from the integration of six medical device businesses and listed on the ASX in December 2013. At the time of listing, LifeHealthcare had 137 employees, including 62 specialised sales representatives. Its product portfolio included Implantable Devices, Non-implantable Devices and Capital Equipment sold to 83 active surgeons¹³ and hospitals across spine surgery, other orthopaedic surgery, neurosurgery, cardiology and general surgery.

Its strategy was focused on achieving market share growth through selling additional products, expanding its customer base, entering into new clinical channels and undertaking acquisitions. It acquired:

- M4 Healthcare Pty Limited (M4 Healthcare) in May 2015, which enabled it to enter the point of care ultrasound channel, and
- Medical Vision Australia Cardiology & Thoracic Pty Limited (MVA) in August 2015, which enabled it to broaden its product depth in interventional cardiology as well as endovascular and respiratory technology (ERT).

LifeHealthcare's share price declined steeply in early 2016 primarily related to the announcement of the Prostheses List review and release of the financial results for the first half of FY17, which indicated that strong revenue growth had not translated into growth on profit. In August 2016, LifeHealthcare's new management announced a revised, targeted strategy and undertook the following:

- acquired Oceania Orthopaedics Pty Limited (Oceania) in July 2017 and entered into a ten year distribution agreement with orthopaedic manufacturer implantcast GmbH, allowing it to expand its complex lower limb orthopaedics offering and adding 22 active surgeons, and
- acquired rights from Point Blank Medical to promote the Australian Biotechnologies spinal allograft biologics range in October 2017 and entered into 10 year distribution agreement.

Today, LifeHealthcare has over 190 employees, including 98 specialised sales representatives. Its product portfolio includes Implantable Devices, Non-implantable Devices and Capital Equipment purchased from over 100 global manufacturers and sold to 174 active surgeons and hospitals across a range of clinical channels, including spine surgery, other orthopaedic surgery, neurosurgery, cardiology, ultrasound, general surgery and plastics and wound management. It is headquartered in Sydney, Australia and has sales offices in Perth, Adelaide, Melbourne, Brisbane and Auckland, New Zealand.

A detailed discussion of the medical device industry is included in Appendix 3.

¹³ Those who generate more than \$50,000 or more of revenue in the last twelve months (including biologics).



6.2 Strategy

Since August 2016, LifeHealthcare's strategy is focused on four key priorities:

- improving organisational efficiency and effectiveness, through driving automation and improvements to systems and processes to support the business
- optimising existing clinical channels, which involves increasing penetration in existing clinical channels through new product launches and acquisitions
- growing biologics technology, through a three phased approach, and
- developing solutions to address changing needs of healthcare, which involves bringing to market new technologies and procedural offerings.

6.3 Operations

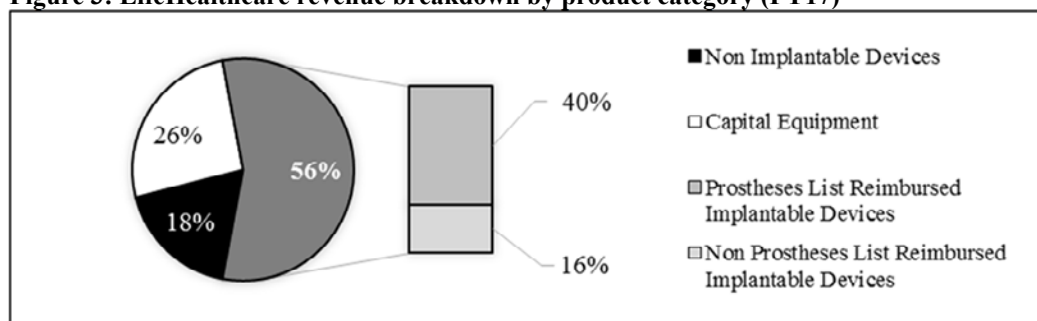
6.3.1 Product categories

LifeHealthcare's products comprise three categories: Implantable Devices, Non-implantable Devices and Capital Equipment, that are deployed across niche segments within clinical channels. A majority (56%) of revenue is derived from Implantable Devices, which are inherently more specialised in nature and generate high margins. Most Implantable Devices are sold to specialists in private hospitals (40% of total revenue) at regulated prices.

LifeHealthcare's Non-implantable Devices are mainly used to support Implantable Devices (e.g. spinal robotics) or are specialised in nature (e.g. ERT) and as such, they also generate relatively high margins (in contrast to consumables). LifeHealthcare's capital equipment is also specialised in nature and margins are moderate. The basis for price setting with regard to Non-Implantable Devices and Capital Equipment is largely unregulated.

A breakdown of LifeHealthcare's revenue by product category is provided below.

Figure 3: LifeHealthcare revenue breakdown by product category (FY17)



Source: LifeHealthcare management

Attachment E. Independent Expert's Report continued



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An overview of each product category is provided below.

Table 2: LifeHealthcare product categories overview

	Implantable Devices	Non-implantable Devices	Capital Equipment
<i>Description</i>	Devices surgically implanted to replace, support or enhance the existing biological structure of the body	Devices that are used or consumed during surgical procedures and do not remain within the body of the patient on discharge	Equipment that has enduring nature and is used clinically in either hospital operating or outpatient clinical setting
<i>Examples</i>	Screws for total joint prostheses	Navigation consumables Fractional flow reserve	Spinal robotic system Ultrasound equipment
<i>Customers</i>	Surgeon (in private hospitals) and public hospitals	Public and private hospitals	Public, private hospitals and cardiologists
<i>Clinical channels</i>	<ul style="list-style-type: none"> • Spine surgery • Neurosurgery • Orthopaedic surgery 	<ul style="list-style-type: none"> • Spine surgery • General surgery • Neurosurgery • Interventional cardiology 	<ul style="list-style-type: none"> • Cardiology • Spine Surgery • Neurophysiology • Theatre capital
<i>Basis of price setting</i>	<ul style="list-style-type: none"> • Australian private sector: set by Prostheses List Advisory Committee • Australian public sector, New Zealand and physicians: unregulated 	<ul style="list-style-type: none"> • Unregulated 	<ul style="list-style-type: none"> • Unregulated

Source: LifeHealthcare management

6.3.2 Clinical channels

LifeHealthcare focuses on specialty channels of spine, other orthopaedics, neurosurgery, cardiology and general surgery. Within these clinical channels, it generally operates in:

- niche segments (e.g. within orthopaedics, it focuses on spine and complex lower limb surgery rather than primary hip and knee surgery, where there is higher levels of competition from major players in core markets as well as more commoditisation)
- high growth segments (e.g. minimally invasive, revision and technology enabled surgery)
- new technologies (e.g. regenerative biologics), and
- segments (e.g. suction systems) that are not dominated by multinational corporations.¹⁴

LifeHealthcare has a strong market presence (top three market position in a large majority of the sub-segments in which it operations) in each of the segments in which it operates.

¹⁴ Although general and plastic surgery is dominated by multinational corporations, these channels have a complementary sales cycle to LifeHealthcare's products.



LifeHealthcare's clinical channels and market segments are summarised below.

Table 3: LifeHealthcare's clinical channels

Clinical channel	Sub-segment	Sub-segment growth ¹ (%)	Sub-segment market concentration
<i>Orthopaedics</i>	Spine	4%-5%	Moderate
	Complex lower limb	8%	Moderate
	Biologics bone repair	8%-10%	Moderate
<i>Neurology</i>	Nerve denervation, aneurism clips	2%-3%	High
<i>Cardiology</i>	Interventional cardiology	8%-15%	Moderate
<i>Diagnostic imaging</i>	Ultrasound	2%-6%	High
<i>General and plastic surgery</i>	Laparoscopic, hernia repair	4%-5%	Moderate
<i>General hospital and healthcare supply</i>	Surgical instruments	3%-4%	Moderate
	Specialist tables	2%-3%	High
<i>Wound management</i>	Advanced wound management	Developing	Low

Source: LifeHealthcare management

Notes:

1. Australia and New Zealand

Expansion of biologics is a key strategic priority for LifeHealthcare. This is expected to occur via a three phased approach:

- **Phase one:** focuses on bone repair and allograft sub segments and is already underway via the successful new product introduction of its allograft biologics offering in November 2017
- **Phase two:** is to enter the wound healing and soft tissue markets. Phase two is also currently underway via the new product introduction of MiMedx amniotic biologic technology for plastics and wound management due for TGA approval in 2018, and
- **Phase three:** involves expanding into advanced regenerative biologics including bio fabrication.

LifeHealthcare is also focused on developing solutions to address changing needs of healthcare, including solutions that address health economics, such as spinal robotics and the incorporation of CereTom CT scanner in Australia's first mobile stroke ambulance.

6.3.3 Business model

LifeHealthcare operates an integrated business model. It is involved in all functions along the medical device supply chain other than manufacturing. This allows LifeHealthcare to provide innovative and differentiated medical devices that meet the needs of clinicians, surgeons and hospitals in Australian and New Zealand while also providing the necessary sales support.

Attachment E. Independent Expert's Report continued



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LifeHealthcare's business model is illustrated below.

Figure 4: LifeHealthcare Business Model



Source: LifeHealthcare management

LifeHealthcare has a dedicated product sourcing team that focuses on strategically sourcing new products, including emerging technologies. In certain circumstances, LifeHealthcare may also be involved in the design process by co-developing products with its surgeon customers and key suppliers. Suppliers are also supported by a Regulatory Affairs and Compliance team that may seek TGA and PDC approval on their behalf.

Highly specialised sales representatives provide channel focused customer service and product expertise to clinicians. LifeHealthcare also supports surgeons by providing instruments that are tailored to their individual preferences and has a dedicated professional education team to facilitate world class clinical training for surgeons and other clinicians. In certain clinical market segments, a LifeHealthcare sales representative may assist with 'after sales care' by being present in theatre assisting a surgeon with a procedure.

6.3.3.1 Supply/partnership agreements

LifeHealthcare currently distributes products from 100 suppliers that are predominantly based in the United States and Europe and range from multinational corporations to small, privately held companies. Suppliers are attracted to LifeHealthcare because of its scale, leadership in target clinical channels and full service offering (e.g. regulatory affairs).

Typically, LifeHealthcare has a foundation supplier in each clinical channel in which it operates. The product sourcing team will then identify complementary products to grow revenue within the clinical channel ('channel optimisation'). Key clinical focus areas include continued market leadership in 3D printed spinal implants, continued growth in minimally invasive spine surgery, complex lower limb orthopaedics and increased portfolio offering in interventional cardiology.

LifeHealthcare is highly dependent on its foundation suppliers and concentration of suppliers is high. In FY17, 74% of LifeHealthcare's revenue was sourced from its ten largest suppliers. The loss of a key supplier has the potential to significantly impact LifeHealthcare's revenues. This may occur for a variety of reasons such as acquisition of the supplier or the supplier taking on local distribution.

The majority of LifeHealthcare's distribution agreements are on an exclusive basis over periods ranging from two to ten years. The tenure of LifeHealthcare's relationships with suppliers usually extends beyond a single contract term with multiple agreement renewals over the life of the relationship. Where appropriate, LifeHealthcare also structures protections in its key contracts through inclusion of terms such as non-solicitation of employees. Certain of the supply contracts include change of control provisions in the event that a change of control relates to a competitor.



Approximately 65% of LifeHealthcare's supply contracts are priced in foreign currency (of which two thirds are in US dollars and one third are in Euros) while sales are mostly in Australian dollars or New Zealand dollars. LifeHealthcare maintains a policy of hedging a majority of its foreign exchange exposure.

In addition, LifeHealthcare's contractual agreements with suppliers allow for a degree of pricing flexibility. In general, contracts for Implantable Devices and Non-implantable Devices will feature fixed pricing agreements for a specified period of time with an annual pricing review. Certain supply contracts also allow for the sharing of the impact of foreign exchange movements between LifeHealthcare and the supplier, while in other instances, LifeHealthcare may seek to renegotiate supply prices in the event of significant foreign exchange movements or regulatory changes (i.e. changes in pricing on the Prostheses List).

Capital Equipment purchases are generally one off and equipment is purchased at prevailing spot prices.

6.3.3.2 Customers

While in many cases the ultimate payer is either a private or public hospital, the key medical devices decision maker or influencer, particularly in the case of Implantable Devices, is often a clinical professional such as a surgeon or cardiologist. Its primary customers are:

- clinicians for Implantable Devices
- clinicians, nurse unit managers or procurement managers for Non-Implantable Devices, and
- clinicians, procurement managers or hospital executives for Capital Equipment.

Customers are attracted to LifeHealthcare because of its independent status which allows it to respond to the requirements of local customers and offer a range of innovative products from multiple suppliers. LifeHealthcare also supports surgeons by providing instruments that are tailored to their individual preferences.

These factors, as well as the Oceania acquisition in July 2017, have allowed LifeHealthcare to grow its active surgeons by an average of 17.5% per annum since listing.

Revenue per active surgeon declined in FY16 and FY17 reflects LifeHealthcare's focus on:

- increasing its active surgeon base with young clinicians, who are growing their practice but not yet at full practice maturity, and
- growing its biologics offering to surgeons who do necessarily use LifeHealthcare other medical devices (e.g. plastic surgeons).

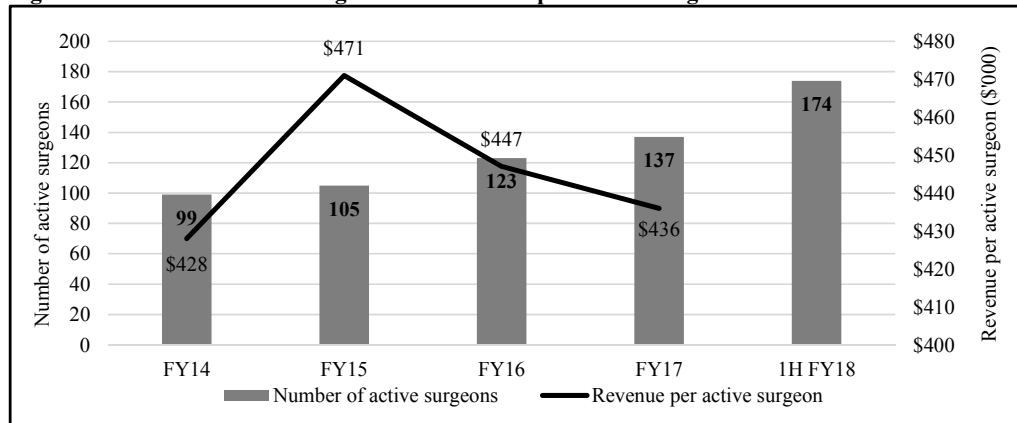
Attachment E. Independent Expert's Report continued



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LifeHealthcare's number of active surgeons and revenue per active surgeon since FY14 are illustrated in the following chart.

Figure 5: Number of Active Surgeons and Revenue per Active Surgeon



Source: LifeHealthcare management

Although pricing of Implantable Devices sold to private hospitals is fixed by the Prostheses List, implants are often sold to public hospitals under tendering arrangements and include a combination of fixed and flexible pricing arrangements. In addition, pricing arrangements for Non-implantable Devices and Capital Equipment are flexible.

LifeHealthcare typically competes with local subsidiaries of multinational medical device manufacturers including Medtronic, DePuy Synthes (a subsidiary of Johnson & Johnson), B Braun Medical, Inc, General Electric Healthcare and Siemens, as well as independent distributors of medical devices such as Device Technologies Australia Pty Limited (DTA).

6.3.4 Inventory management

The primary warehouse for distribution is located next to the Sydney head office. In addition, each sales office carries sufficient inventory to service the Implantable Devices and Non-implantable Devices businesses in its region. The ability to service customers locally and in a timely manner is an important advantage relative to competitors without a local presence.

In accordance with its strategic objective of improving organisational efficiency and effectiveness, LifeHealthcare undertook a number of initiatives in FY17, including the purchase of a third inventory carousel and conveyor system to further automate inventory management, reduce inventory levels and increase security. This has been complemented by the introduction of an improved sales and operations planning process and increased investment in demand planning.



6.4 Financial performance

The financial performance of LifeHealthcare for FY14 to FY17 and for the first half of FY18 is summarised below.

Table 4: Financial performance of LifeHealthcare

Period	First half of				
\$ million unless otherwise stated	FY14	FY15	FY16	FY17 ¹	FY18 ¹
Active surgeons including biologics ²	99	105	123	137	174
Revenue per active surgeon	428	471	447	436	na
Major new product launches	8	10	14	11	na
A\$/US\$ hedging rate	0.95	0.90	0.78	0.72	na
Average spot rate (Source: IRESS)	0.92	0.84	0.73	0.75	0.78
Revenue from sale of goods	87.2	99.3	114.8	126.7	67.4
Cost of goods sold	(38.8)	(43.4)	(50.8)	(60.8)	(30.1)
Gross margin	48.4	55.9	64.0	65.9	37.3
Operating expenses	(33.1)	(38.5)	(44.7)	(45.5)	(27.5)
EBITDA³	15.3	17.4	19.3	20.4	9.8
Depreciation	(2.5)	(3.0)	(3.8)	(4.7)	(2.2)
EBITA⁴	12.8	14.4	15.5	15.7	7.6
Amortisation	(0.7)	(0.8)	(1.7)	(1.3)	(0.6)
EBIT⁵	12.1	13.6	13.8	14.4	7.0
Net interest expense	(1.7)	(1.6)	(2.3)	(2.4)	(1.2)
Share of loss Electrocore joint venture ⁶	(0.1)	(0.0)	(0.0)	(0.4)	(0.0)
Transaction related expenses	(4.4)	(0.3)	(0.3)	(0.7)	(1.9)
Profit before tax	5.9	11.7	11.2	10.9	3.9
Income tax expense ⁷	14.6	(8.0)	(3.7)	(3.8)	(1.7)
Net profit attributable to LifeHealthcare Shareholders	20.5	3.7	7.5	7.1	2.2
NPATA⁸	7.5	8.8	8.8	9.0	4.0
Statistics					
Basic earnings per share	53.00	9.00c	17.60c	16.70c	4.90c
NPATA per share	17.60	20.60c	20.80c	21.10c	9.10c
Distribution per share	15.00	15.00c	12.50c	13.75c	7.50c
Payout % of NPATA	85%	73%	60.1%	66.3%	84.0%
Growth in active surgeons	na	6.1%	17.1%	11.4%	32.8%
Revenue growth	na	13.8%	15.6%	10.4%	9.3%
Gross margin growth	na	15.6%	14.3%	3.0%	13.7%
EBITDA growth	na	13.9%	10.9%	5.3%	8.0%
Gross margin	55.5%	56.3%	55.7%	52.0%	55.4%
EBITDA margin	17.5%	17.6%	16.8%	16.1%	14.6%
Interest cover ⁹	8.9	11.2	8.4	8.6	7.4

Notes:

1. FY17 and the first half of FY18 reflect a change in accounting policy relating to in-bound freight costs included in inventory
2. Active surgeons are defined as those who generate \$50,000 or more of revenue in the last 12 months (including biologics) for LifeHealthcare.
3. EBITDA is earnings before interest, tax, depreciation and amortisation, transaction costs and losses from joint venture.
4. EBITA is earnings before interest, tax, amortisation, transaction costs and losses from joint venture.
5. EBIT is earnings before interest, tax, transaction costs and losses from joint venture.
6. Electrocore joint venture was terminated on 30 June 2017.
7. FY14 includes \$17.8 million income tax credit related to initial public offering.
8. NPATA is underlying net profit after tax before amortisation of identifiable intangible assets, where underlying net profit after tax is before transaction costs and share of loss in associate.
9. Interest cover is EBITDA divided by interest expense.

Source: LifeHealthcare Annual Reports for FY14 to FY17 and Interim Report for first half of FY18; KPMG Corporate Finance analysis.

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Revenue

LifeHealthcare has experienced strong growth in revenue in all years since listing as a result of:

- organic growth initiatives (including growth in existing products, new products from existing suppliers and new products from new suppliers) which contributed growth of 13.7% in FY15, 5.9% in FY16 and 9.1% in FY17 and 3.4% in the first half of FY18¹⁵, and
- acquisitions, including M4 Healthcare on 27 May 2015, MVA on 2 October 2015, Oceania on 31 July 2017 and rights from Point Blank Medical on 11 October 2017 (distribution agreement commenced 1 November 2017).

It should be noted that sales are seasonal, with higher sales typically occurring in the second half of the financial year.

Gross margin

As discussed in Section 6.3.3.1, a majority of inventory is purchased in US dollars or Euros. Since LifeHealthcare was listed on the ASX, the Australian dollar has depreciated against the US dollar by around 12% and at its lowest point, 24% in January 2016 (although it subsequently increased in 2017). The impact of exchange rates on gross margin has been mitigated as a result of the following factors:

- approximately 35% of inventory is purchased in Australian dollars and, therefore, is not subject to exchange rate risk. Furthermore, there is a mix of foreign currencies in which LifeHealthcare purchases inventories (approximately two thirds is in US dollars and one third is in Euros)
- LifeHealthcare has a policy in place of hedging at least 90% of its expected US dollar and Euro exposure over next 12 months on a rolling monthly basis. In combination with the stock turn within the business, at any point in time, this hedging policy means LifeHealthcare has minimal exposure to movements in the US dollar and Euro exchange rates for a period of 14 to 16 months, and
- management has undertaken other initiatives, including price increases (where feasible), selectively reducing prices paid to suppliers, changes in product mix as a result of acquisitions (which resulted in a greater share of higher margin, Implantable Devices), optimisation of reimbursement via 'up classification'¹⁶ and inventory optimisation initiatives.

In FY17, these factors only partially mitigated the impact of the Australian dollar depreciation and gross margin declined by 3.9%. Gross margin improved in the first half of FY18 as a result of the appreciation of the Australian dollar and mix change (stronger growth in Implantable Devices than other product categories).

¹⁵ Source: LifeHealthcare annual results presentations for FY14 through FY17

¹⁶ Re-classification of medical devices to a higher TGA classification e.g. from IIb to III.



EBITDA margin

EBITDA margins have declined since FY15 as a result of the decline in the gross margin as well as an increase in operating expenses, as a percentage of sales in FY15 and FY16. In FY17, the contraction in gross margin was partially offset by a 3% improvement in the operating expenses to sales ratio.

Operating expenses in FY17 include \$0.6 million of public company costs, including directors' fees, listing fees and publishing costs.

Other items

Depreciation increased from FY14 to FY17 primarily as a result of an increase in implant instrument kits loaned to spine and orthopaedics customers to support new product introductions and sales volume growth. Amortisation of identifiable assets increased throughout the forecast period as a result of acquisitions.

Net interest expense increased from FY14 to FY17 as borrowings increased to fund acquisitions while the margin on the debt facility remained relatively stable noting that a refinancing of debt facilities took place in July 2017 with significantly improved interest rates.

Transaction related expenses were incurred in relation to the initial public offering (FY14) and acquisitions of M4 Healthcare (FY15), MVA (FY15 and FY16), Oceania (FY17 and first half of FY18) and Point Blank Medical (first half of FY18).

LifeHealthcare Group Limited and its wholly owned Australian subsidiaries have formed a tax consolidated group. The group records deferred tax assets arising from temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised. At 30 June 2017, LifeHealthcare had nil deferred tax assets associated with accumulated tax losses recognised on its balance sheet (all deferred tax assets related to temporary differences) and nil unrecognised Australian carried forward income tax losses.

Income tax expense in FY15 includes \$4.5 million (deferred tax assets were reduced by \$4.5 million) arising from a revision to the basis upon which the market value of inventory was determined for the purposes of the tax cost base reset.

LifeHealthcare targets a dividend payout ratio of 50% to 70% of statutory net profit after tax excluding amortisation of specifically identifiable intangibles (net of tax effects) (NPATA), subject to working capital and capital expenditure funding requirements. The payout ratio exceeded this target in FY15, and was within this range in subsequent periods.

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6.5 Cash Flow

LifeHealthcare has generated strong positive cash flow from operations each year from FY14 to FY17 as summarised below.

Table 5: LifeHealthcare cash flow

Period	First half of				
\$ million unless otherwise stated	FY14	FY15	FY16	FY17	FY18
EBITDA	15.3	17.4	19.3	20.4	9.8
Capital expenditure (net)	(2.3)	(4.2)	(5.1)	(5.1)	(6.0)
Transaction related expenses	-	(0.3)	(0.3)	(0.1)	(0.5)
Working capital and other	(3.7)	(0.0)	(5.5)	(0.8)	(1.8)
Cash flow from operations	9.3	12.9	8.4	14.3	1.6
Interest paid (net)	(1.8)	(1.6)	(2.3)	(2.4)	(1.2)
Income taxes paid	(2.8)	(0.2)	(1.0)	(1.2)	(2.8)
Payment for investments in joint ventures	(0.3)	(0.1)	(0.0)	-	-
Payment for acquisition of subsidiary (net of cash acquired)	(0.5)	(8.2)	(8.7)	(1.4)	(5.9)
Dividends paid	(9.3)	(6.4)	(5.3)	(5.2)	(3.3)
Issue of new shares	-	0.1	-	0.2	1.5
Proceeds from IPO net of payments to shareholders and transaction costs	9.0	-	-	-	-
Increase/(decrease) in cash	3.7	(3.4)	(9.0)	4.3	(10.1)
<i>Net borrowings - opening balance</i>	<i>(24.0)</i>	<i>(20.3)</i>	<i>(23.6)</i>	<i>(32.6)</i>	<i>(28.3)</i>

Source: LifeHealthcare Annual Reports for FY14 to FY17 and Interim Report for the first half of FY18; KPMG Corporate Finance analysis.

As discussed, revenue is seasonal and EBITDA is weighted towards the second half of the financial year as major events typically are held in the first half of the financial year and consequently, cash flows from operations are weighted towards the second half of the financial year.

Strong earnings were used to fund capital expenditure and increases in working capital associated with organic growth. Capital expenditure reflects implant instrument kits loaned to spine and orthopaedics customers to support new product introductions and volume growth. The increase in working capital in FY16 reflects increases in inventory to support growth and the depreciation of the Australian dollar relative to the US dollar as well as the inventory revaluation associated with including inbound freight costs in the value of inventory.

Strong cash flows from operations enabled LifeHealthcare to pay dividends within or above the target payout ratio in all periods while the proceeds from the initial public offering in December 2013, Dividend Reinvestment Plan from FY17 and incremental borrowings were used to fund acquisitions.



6.6 Financial Position

The consolidated financial position of LifeHealthcare as at 30 June 2014, 30 June 2015, 30 June 2016, 30 June 2017 and 31 December 2017 is summarised below.

Table 6: Financial position of LifeHealthcare

As at	30 June			31 December	
\$ million unless otherwise stated	2014	2015	2016	2017 ¹	2017 ¹
Debtors and prepayments	14.3	17.1	24.9	24.2	21.7
Inventories	27.5	30.5	35.4	37.6	43.0
Trade and other payables, current provisions	(15.2)	(21.7)	(26.9)	(26.5)	(26.8)
Net working capital	26.5	25.9	33.4	35.3	37.9
Property, plant and equipment	8.4	9.6	10.1	10.4	10.8
Intangible assets	13.0	21.6	28.4	27.3	39.2
Equity accounted investment in Electrocore	0.4	0.4	0.4	-	-
Derivative financial instruments (net)	(1.1)	1.5	(1.8)	(1.1)	(1.0)
Deferred tax assets	17.2	8.3	6.1	4.4	2.8
Non current provisions	(0.6)	(0.5)	(0.6)	(0.6)	(0.7)
Total funds employed	63.9	66.7	76.1	75.6	89.0
Cash and cash equivalents	2.8	6.0	4.1	5.5	5.5
Total borrowings	(23.1)	(29.6)	(36.7)	(33.8)	(43.9)
Net borrowings	(20.3)	(23.6)	(32.6)	(28.3)	(38.4)
Net assets attributable to LifeHealthcare Shareholders	43.7	43.0	43.5	47.3	50.6
Statistics:					
Shares on issue at period end (million)	42.5	42.5	42.5	43.0	44.9
Net assets per share	\$1.03	\$1.01	\$1.02	\$1.10	\$1.13
NTA ² per share	\$0.72	\$0.50	\$0.35	\$0.47	\$0.25
Net debt/EBITDA	1.32	1.37	1.69	1.39	1.82
Gearing ³	31.7%	35.5%	42.9%	37.5%	43.1%

Source: LifeHealthcare Annual Reports for FY14 to FY17 and Interim Report for the first half of FY18; KPMG Corporate Finance analysis.

Notes:

1. FY17 and the first half of FY18 reflect a change in accounting policy related to in-bound freight costs included in inventory.
2. NTA is net tangible assets, which is calculated as net assets less intangible assets.
3. Gearing is net borrowings divided by the sum of net assets and net borrowings.

The business model of LifeHealthcare requires investment in working capital, particularly in inventories relating to Implantable Devices and certain Non-Implantable Devices where LifeHealthcare will consign or loan implant kits and certain other devices to hospitals, invoicing the customers when products are used. In contrast, working capital requirements for Capital Equipment are low as LifeHealthcare does not typically carry inventory as sales are largely one off.

Inventory has increased as the business has grown and also reflects the depreciation of the Australian dollar and inventory revaluation, partially offset by inventory optimisation initiatives undertaken in FY17 and the first half of FY18. Working capital has remained a relatively steady proportion of sales throughout the period presented.

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Property, plant and equipment at 31 December 2017 includes \$10.0 million of plant and equipment, most of which includes implant instrument kits which are used by specialist clinicians in conjunction with Implantable Devices. Unlike medical devices, which are sold to customers, implant instrument kits are loaned to spine and orthopaedics customers. Instrument kits are delivered to hospitals, washed after use and returned to LifeHealthcare. They are then re-deployed to customers, and sterilised at the hospital before the next procedure.

Intangible assets at 31 December 2017 includes \$29.5 million of goodwill and \$9.2 million of supply contracts recognised on acquisition of businesses. The remaining \$0.6 million relates to computer software. The increase in intangible assets since FY14 has resulted in a significant decrease in NTA per LifeHealthcare Share (from \$0.72 at 30 June 2014 to \$0.25 at 31 December 2017).

In addition to hedging its foreign exchange exposure, LifeHealthcare uses interest rate swap contracts to hedge a portion of its exposure to variable interest rates. Its policy is to protect 50% of non-current portion of bank loans from interest rate movements.

Provisions include warranties, employee benefits and make good provisions.

At 31 December 2017, LifeHealthcare had \$0.3 million of earn-outs owing to Point Blank Medical in relation to the recent transaction.

At 31 December 2017, LifeHealthcare had \$3.1 million of minimum lease commitments under non-cancellable operating leases (including \$1.2 million due within 12 months).

LifeHealthcare has disclosed a contingent liability as at 31 December 2017 in relation to a bank guarantee for the performance of certain office lease commitments to a maximum of \$0.5 million.

Net interest bearing liabilities

As at 31 December 2017, LifeHealthcare had net interest bearing liabilities of \$38.5 million including total interest bearing liabilities of \$44.0 million (excluding capitalised borrowing costs of \$0.1 million) and \$5.5 million of cash.

On 31 July 2017, LifeHealthcare refinanced all bank debt facilities to extend the maturity of the debt and to provide additional funding for acquisitions. Facilities were extended for a further three years maturing in 2020 and financial covenants were revised.

Substantial increases in borrowings since 30 June 2014 have increased financial leverage (debt/EBITDA) and gearing although these ratios remain within covenants as set out below.

Table 7: LifeHealthcare financial covenants

Covenant	2013 borrowings	2017 refinancing
Leverage ratio (gross debt/EBITDA)	Less than 2.25x	Less than 2.75x
Debt service coverage (EBITDA/interest expense)	Greater than 4.00x	Greater than 4.00x

Source: LifeHealthcare management



The total interest bearing liabilities of LifeHealthcare is presented below.

Table 8: LifeHealthcare borrowings as at 31 December 2017

\$ million unless otherwise stated	Facility limit	Amount drawn	Expiration
Multi Option Facility	6.0	-	27 July 2018
Cash advance	34.0	34.0	27 July 2020
Acquisition facility	10.0	10.0	27 July 2020
Total interest bearing liabilities		44.0	
Capitalised transaction costs		(0.1)	
Total borrowings per statement of financial position		43.9	

Source: LifeHealthcare financial report for half year to 31 December 2017

On 5 February 2018, LifeHealthcare entered into a 6th Amendment Facility Deed with ANZ Banking Group Limited for up to an additional \$4.0 million of funding in order to fund a potential Special Dividend subject to the Scheme obtaining LifeHealthcare Shareholder and Court approval.

6.7 Capital structure

As at 21 March 2018, LifeHealthcare had the following shares on issue:

- 44,933,172 ordinary shares on issue
- 2,673,327 LifeHealthcare Options over unissued shares, and
- 147,122 LifeHealthcare Performance Rights.

As at 21 March 2018, LifeHealthcare had 2,177 registered LifeHealthcare Shareholders. The top 20 registered LifeHealthcare Shareholders accounted for approximately 74% of shares on issue and primarily included institutional nominees and custodian companies. As at 21 March 2018, retail investors (holdings of up to 10,000 shares) accounted for 11.3% of LifeHealthcare Shares on issue.

As at 21 March 2018, LifeHealthcare had received notices from the following substantial shareholders.

Table 9: Substantial shareholder notices as at 21 March 2018

Substantial shareholder	Date of notice	Number of shares	Percentage interest ¹
Investors Mutual Limited	10 December 2017	5,430,000	12.08%
Pengana Capital Limited	2 October 2015	2,250,000	5.29%
Renaissance Smaller Companies Pty Ltd	2 August 2017	2,286,917	5.18%
Northcape Capital Pty Ltd	5 December 2013	2,300,000	5.00%

Source: ASX announcements.

Note 1: As at date of notice.

In order to provide flexibility in addressing growth opportunities, the Dividend Reinvestment Plan was activated for the distribution in respect of the first and second half of FY17. The plan entitles LifeHealthcare Shareholders to reinvest all or part of their dividends in LifeHealthcare shares at a price determined by the LifeHealthcare Board. A discount of 2.5% was applied to

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dividends in FY17. The Dividend Reinvestment Plan was suspended on 20 February 2018 as a result of the Proposed Transaction and will not operate in respect of the FY18 Interim Dividend.

LifeHealthcare operates a Long Term Incentive Plan to provide long term incentives for the Chief Executive Officer, key management personnel and senior management. Options and performance rights granted under the plan entitle the holder to acquire a fully paid ordinary share (or, at the discretion of the LifeHealthcare Board, the cash equivalent) for a specified exercise price (options) or nil consideration (performance rights). Options and performance rights vest three years after the issue date on satisfaction of certain performance criteria including compound annual growth in earnings per share (all options and performance rights granted since listing on the ASX) and relative total shareholder return (options and performance rights granted in FY17 only). All options granted in June 2013 (prior to listing) have vested.

In the event of a change of control, the LifeHealthcare Board may in its sole and absolute discretion determine how unvested options and performance rights will be treated (including determining that they will vest and become immediately exercisable).

In accordance with LifeHealthcare's Long Term Incentive Plan, the LifeHealthcare Board has exercised its discretion and determined that all of the LifeHealthcare Options and LifeHealthcare Performance Rights will vest and be treated in the following manner as part of the Scheme:

- subject to the Scheme becoming effective, the LifeHealthcare Performance Rights will automatically convert into LifeHealthcare Shares on the Effective Date¹⁷;
- subject to the Scheme becoming effective, the LifeHealthcare Options that are validly exercised will convert into LifeHealthcare Shares on the Effective Date¹¹ and any LifeHealthcare Options that are not validly exercised will lapse; and
- LifeHealthcare Shares issued to the former holders of LifeHealthcare Options and LifeHealthcare Performance Rights will be acquired by the Bidder on the Implementation Date as part of the Scheme, and the holders of those LifeHealthcare Shares will be entitled to receive the Total Cash Payments.

If all options are exercised, total cash to be received by LifeHealthcare is \$6.4 million.¹⁸

¹⁷ Date on which the scheme becomes effective, expected to be 11 May 2018.

¹⁸ Exercise price multiplied by number of Options and Performance Rights.



Unissued ordinary shares under options and performance rights as at 21 March 2018 are set out below.

Table 10: Options and performance rights as at 21 March 2018

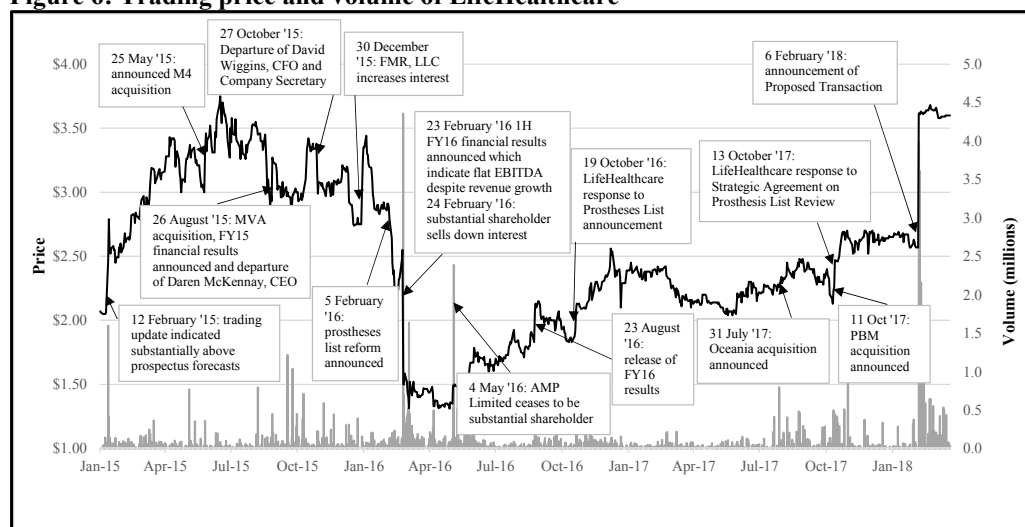
Grant date	Date of expiry	Exercise price	Number of ordinary shares under option
Options			
28 June 2013	28 June 2018	\$1.54	58,179
5 December 2013	5 December 2018	\$2.00	155,144
30 June 2014	30 June 2019	\$2.25	107,988
30 June 2015	30 June 2020	\$3.42	406,666
28 October 2015	28 October 2020	\$3.23	312,706
25 October 2016	25 October 2021	\$1.99	598,301
21 December 2016	21 December 2021	\$1.99	715,937
26 October 2017	26 October 2022	\$2.33	318,406
Total options			2,673,327
Performance rights			
21 December 2016	21 December 2020	\$0.00	104,224
26 October 2017	26 October 2022	\$0.00	42,898
Total performance rights			147,122
Total options and performance rights			2,820,449

Source: LifeHealthcare management.

6.7.1 Recent market trading

After listing in December 2013, LifeHealthcare's Share price tracked the broader market until early 2015. Since then, the share price has been relatively volatile, likely reflecting its relatively illiquid trading. The trading price and volume of LifeHealthcare Shares from 1 January 2015 to 21 March 2018 is illustrated below.

Figure 6: Trading price and volume of LifeHealthcare



Source: S&P Capital IQ; KPMG Corporate Finance analysis.

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From 12 February 2015, the LifeHealthcare share price increased on news that its financial performance was substantially above prospectus forecasts and continued to increase following the announcement of the first half results for FY15 on 25 February 2015 and acquisition of M4 on 25 May 2015, to reach a high of \$3.92 on 15 June 2015.

The share price then traded broadly in the range of \$2.90 to \$3.50, with peaks coinciding with the announcement of the MVA acquisition on 25 August 2016 and FMR LLC increasing its shareholding in December 2015, and troughs coinciding with the announcement on 27 October 2015 of the departure of the Chief Financial Officer and Company Secretary (shortly after the departure of the Chief Executive Officer was announced).

The LifeHealthcare share price then declined steeply from early February 2016 and reached a low of \$1.30 on 28 April 2016, likely reflecting its relatively illiquid share trading in conjunction with the following:

- announcement of prostheses list reform on 5 February 2016 and speculation¹⁹ that the reforms would have a major impact on LifeHealthcare's revenue
- release on 23 February 2016 of the financial results for the first half of FY16, which indicated that:
 - despite strong revenue growth, EBITDA remained flat as a result of \$0.8 million of commission expenses that should have been accrued in FY15
 - financial leverage (debt/sales) and working capital to sales had increased substantially
 - a decline in average revenue per active surgeon as a result of reduced volumes of surgical procedures
- substantial shareholder selling down its interest, and
- continued depreciation of the Australian dollar.

Heavy trading occurred on 4 May 2016 when AMP Limited sold down its interest in LifeHealthcare.

The share price commenced a recovery in May 2016 and continued to increase until mid-October 2017, likely reflecting:

- the release on 23 August 2016 of FY16 financial results and announcement of a more targeted strategic focus
- announcement by the Health Minister on 19 October 2016 that the prostheses list reforms would involve hip and knee implants, cardiac devices and inter ocular lenses and LifeHealthcare's confirmation that it does not provide these products on a material basis

¹⁹ For example, "Prostheses List costing patients an arm and a leg", The Australian, 5 February 2016.



- announcement on 11 October 2017 of the acquisition of Point Blank Medical's spine services division²⁰
- announcement on 13 October 2017 that a strategic agreement had been reached on the prostheses list reforms and LifeHealthcare's announcement, where it quantified the expected impact on LifeHealthcare. The impact was expected to be substantially lower than had previously been speculated, and
- appreciation of the Australian dollar from the second half of 2017.

From mid-October it traded in the range of \$2.41 to \$2.74 (a volume weighted average price (VWAP) of \$2.61²¹) and closed at \$2.57 on 2 February 2018, the last trading day immediately prior to the announcement of the Proposed Transaction. From the announcement of the Proposed Transaction until 2 March 2018 (the last trading day prior to the 'ex dividend' date for the Interim Dividend), LifeHealthcare Shares traded in the range of \$3.60 to \$3.70, with a VWAP of \$3.63 and trading volumes have been high as substantial shareholders have sold down.²² Since 5 March 2018 (the 'ex dividend' date for the Interim Dividend), the LifeHealthcare Shares have traded in a slightly lower range of range of \$3.56 to \$3.63, with a VWAP of \$3.60.

6.7.2 *Liquidity*

An analysis of the volume of trading in LifeHealthcare Shares, including the VWAP for the period up to 2 February 2018 (the last trading day prior to the announcement of the Proposed Transaction) and the period after this date until 21 March 2018, is set out on the following page.

²⁰ LifeHealthcare also announced the acquisition of Oceania on 31 July 2017, however, the LifeHealthcare Share price does not appear to have been immediately impacted

²¹ Calculated for the period from 16 October 2017 to 2 February 2018, inclusive.

²² Substantial shareholders that have sold down include IOOF Holdings Limited and FMR LLC.

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Table 11: Volume of trading in LifeHealthcare Shares

Period	Price (low) \$	Price (high) \$	Price VWAP \$	Cumulative value \$ '000	Cumulative volume '000	% of issued capital
Period ended 21 March 2018						
1 day	3.60	3.62	3.60	101.0	28.0	0.1%
1 week	3.59	3.62	3.60	3,268.7	907.8	1.9%
1 month	3.56	3.69	3.62	19,289.4	5,324.4	11.1%
6 February 2018 to 21 March 2018	3.56	3.70	3.62	78,895.6	21,772.2	45.6%
Period ended 2 February 2018¹						
1 day	2.57	2.60	2.58	116.3	45.0	0.1%
1 week	2.57	2.68	2.56	2,135.4	833.8	1.7%
1 month	2.57	2.70	2.61	4,101.1	1,572.1	3.3%
3 months	2.52	2.72	2.63	9,099.9	3,454.4	7.2%
6 months	2.09	2.74	2.49	30,171.1	12,134.3	25.4%
12 months	2.00	2.74	2.39	44,797.9	18,725.5	39.2%

Source: IRESS, KPMG Corporate Finance analysis.

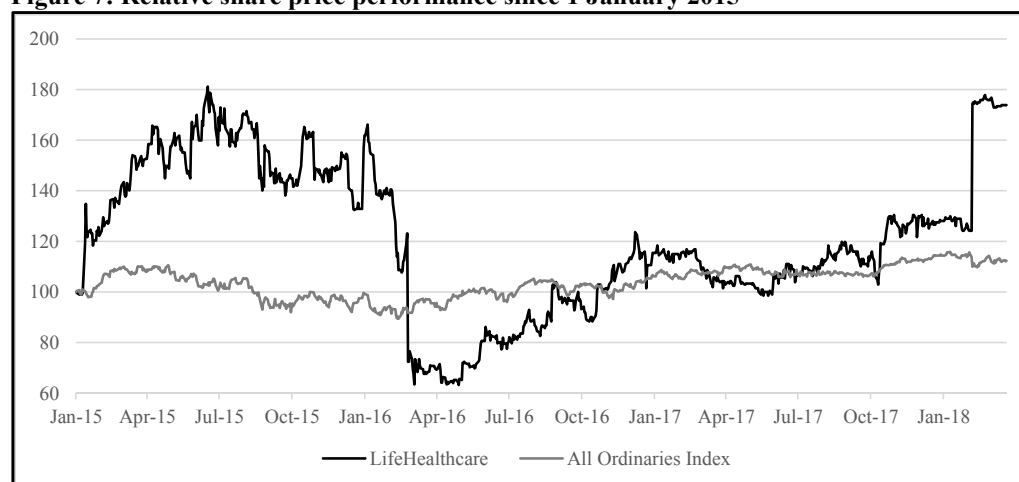
Note 1: 2 February 2018 represents the last trading day prior to the announcement of the Proposed Transaction.

During the 12 month period to 2 February 2018, 39.2% of issued shares were traded. This level of trading indicates that LifeHealthcare Shares are relatively illiquid despite having a 100% free float.

6.7.3 Relative share price performance

LifeHealthcare is not a member of any index other than the S&P/ASX All Ordinaries Index (All Ordinaries Index). The performance of LifeHealthcare Shares from 1 January 2015 to 21 March 2018, relative to the All Ordinaries Index (rebased to 100) is illustrated below.

Figure 7: Relative share price performance since 1 January 2015



Source: IRESS; KPMG Corporate Finance analysis.



The LifeHealthcare share price outperformed the broader index from February 2015 when it was announced that its earnings growth exceeded prospectus forecasts. The share price underperformed the index in February 2016 on release of the financial results for the first half of FY16 and in anticipation of price declines on prostheses listed products, before outperforming from May 2016 until the announcement of the Proposed Transaction, reflecting management's clarification that the impact of Prostheses List reforms would not be substantial and continued earnings growth.

6.8 Outlook

6.8.1 Impact of Prostheses List Reforms

On 13 October 2017, LifeHealthcare provided an estimate of the impact of Prostheses List Reforms on LifeHealthcare. It advised that:

- the reforms are expected to result in a reduction in revenue (on a last twelve months weighted average revenue basis at June 2017) of 1.3% in February 2018, 0.3% in August 2018 and 1.3% in February 2020
- in FY18, the Prostheses List changes are expected to result in a revenue reduction of approximately \$0.8 million increasing to \$4.3 million after the last cut is fully implemented from February 2020, and
- the impact is expected to be mitigated by improved supplier terms, variable cost management and the impact of the acquisition of rights from Point Blank Medical, such that earnings guidance, initially announced on release of the FY17 results on 22 August 2017, remains unchanged.

6.8.2 Impact of Acquisitions

The acquisition of Oceania is expected to contribute \$7.2 million in revenue and \$1.3 million in EBITDA (FY17 pro forma basis) and the Point Blank acquisition is expected to contribute \$1.9 million in revenue and gross margin and a normalised EBITDA of \$1.5 million in the first year post acquisition with minimal working capital requirement.

6.8.3 Guidance

LifeHealthcare has not provided specific guidance for FY18, however, has provided the following guidance:

- improving gross margins year on year
- stronger A\$/US\$ exchange rate, partially offset by weaker A\$/Euro exchange rate
- high single to low double digit growth in revenue, underlying EBITDA and underlying NPATA EPS.

This guidance was most recently reaffirmed on 20 February 2018 in the results presentation for the first half of FY18 and includes the impact of the Prostheses List review.

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6.8.4 Broker forecasts

In order to provide an indication of the expected future financial performance of LifeHealthcare, KPMG Corporate Finance has considered brokers' forecasts for LifeHealthcare. LifeHealthcare was previously followed by three brokers until late 2017 and is now followed by two brokers. Only one broker has published forecasts since the release of the financial results for the first half of FY18. The other broker published forecasts prior to the release of the financial statements for the first half of FY18, however, we note that LifeHealthcare had provided preliminary unaudited revenue, underlying EBITDA and underlying NPATA in its announcement of the Proposed Transaction. The broker forecasts are summarised in the following table and set out in detail in Appendix 4.

Table 12: Broker consensus forecast

Period \$ million unless otherwise stated	Actual FY17	Broker Consensus (Median)	
		FY18	FY19
Revenue	126.7	139.6	146.7
Gross profit	65.9	72.6	76.3
EBITDA	20.4	22.4	24.3
Depreciation	(4.7)	(4.9)	(5.1)
EBITA	15.7	17.5	19.2
<i>Statistics</i>			
<i>Dividend per share</i>	<i>13.8</i>	<i>24.9</i>	<i>15.6</i>
<i>Revenue growth</i>	<i>10.4%</i>	<i>10.1%</i>	<i>5.1%</i>
<i>Gross profit growth</i>	<i>3.0%</i>	<i>10.1%</i>	<i>5.1%</i>
<i>EBITDA growth</i>	<i>5.3%</i>	<i>9.6%</i>	<i>8.5%</i>
<i>Gross profit margin</i>	<i>52.0%</i>	<i>52.0%</i>	<i>52.0%</i>
<i>EBITDA margin</i>	<i>16.1%</i>	<i>16.0%</i>	<i>16.5%</i>
<i>EBITA margin</i>	<i>12.4%</i>	<i>12.5%</i>	<i>13.1%</i>

Source: Broker reports for LifeHealthcare, FY17 Annual Report for LifeHealthcare

Note 1: FY20 data excluded as data includes only one broker and forecasts are not sufficiently close to management's forecasts to be useful.



7 Valuation of LifeHealthcare

7.1 Summary

7.1.1 Overview

KPMG Corporate Finance has assessed the value of LifeHealthcare to be in the range of \$169.3 million to \$189.3 million, which corresponds to a value of \$3.54 to \$3.96 per LifeHealthcare Share. Our valuation assumes 100% ownership of LifeHealthcare and, therefore, incorporates a control premium.

The valuation of LifeHealthcare reflects the value attributed to LifeHealthcare's operating business and non-operating assets, less adjusted net interest bearing liabilities as at 31 December 2017²³. The valuation is summarised in the table below.

Table 13: LifeHealthcare summary of value

\$ millions (unless otherwise stated)	Section reference	Value range	
		Low	High
Value of LifeHealthcare operating business (including synergies)	7.3	205.0	225.0
Other assets/(liabilities) (net)	7.4	-	-
Enterprise value		205.0	225.0
Adjusted net interest bearing liabilities	7.5	(35.7)	(35.7)
Value of 100% of the equity in LifeHealthcare		169.3	189.3
Diluted number of LifeHealthcare Shares outstanding (millions) ¹		47.8	47.8
Value per LifeHealthcare Share		\$3.54	\$3.96

Source: KPMG Corporate Finance analysis.

1: Includes 2,820,449 new LifeHealthcare Shares issued under the Long Term Incentive Plan.

2: Table may not add due to rounding.

In assessing the value of LifeHealthcare's operating business, KPMG Corporate Finance has adopted a DCF analysis as a primary methodology. The value derived from the DCF analysis has been cross-checked using multiples of EBITDA and EBITA for transactions involving medical device distributors and comparable listed healthcare distributors. The valuation of LifeHealthcare's operating business is set out in Section 7.3 of this report.

Synergies available to acquirers, such as cost savings through merging operations, are normally a significant factor in justifying their ability to pay a meaningful premium over market prices. In this case, there are a number of healthcare distributors of sufficient scale with operations in Australia that could likely save all public company costs and a portion of executive salaries, warehouse costs and corporate expenses. Therefore, the valuation assumes that all public

²³ Net interest bearing liabilities as at 31 December 2017 has been adjusted to reflect \$6.4 million cash received on exercise of Options, payment of the Interim Dividend and payment of the \$0.3 million earn-out to Point Blank Medical. We have not deducted the cash (or additional borrowings under the 6th Amendment Facility Deed) required to pay the Special Dividend (if declared) from our assessed value. Our assessed value is compared to the Total Cash Payment of \$3.675, which includes the Special Dividend (if applicable).

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company costs and a portion of these other expenses are eliminated (refer to Section 7.2.3 of this report).

Observations from transaction evidence indicate that takeover premiums generally range from 25% to 40%²⁴ for completed takeovers depending on the individual circumstances. In transactions where it was expected that the combined entity would be able to achieve significant synergies, the takeover premium was frequently estimated to be towards the high end of this range or greater.

Our valuation range of \$3.54 to \$3.96 per LifeHealthcare Share plus the Interim Dividend (i.e. \$3.62 to \$4.04) reflects a premium over the \$2.57 closing price of LifeHealthcare Shares on the last trading day immediately prior to the announcement of the Proposed Transaction of between 40.8% and 57.1%. These premiums are at or above the high end of premiums that are typically observed, however, are reasonable since:

- they reflect the positive growth outlook for LifeHealthcare
- they incorporate synergies available to a pool of potential purchasers, and
- LifeHealthcare's Share price may reflect its relatively illiquid trading.

7.2 Valuation Methodology

7.2.1 Overview

Our valuation of LifeHealthcare has been prepared on the basis of 'market value'. The generally accepted definition of market value (and that applied by us in forming our opinion) is the value agreed in a hypothetical transaction between a knowledgeable, willing, but not anxious buyer and a knowledgeable, willing, but not anxious seller, acting at arm's length.

Market value excludes 'special value', which is the value over and above market value that a particular buyer, who can achieve synergistic or other benefits from the acquisition, may be prepared to pay. However, our valuation has had regard to the additional value resulting from synergies and revenue benefits that would generally be available to a 'pool' of potential purchasers, being healthcare distributors of sufficient scale with operations in Australia.

Market value is commonly derived by applying one or more of the following valuation methodologies:

- the capitalisation of maintainable earnings (Capitalised Earnings)
- discounted cash flows (DCF)
- estimated net proceeds from an orderly realisation of assets (Net Assets)
- rules of thumb, and

²⁴ KPMG Corporate Finance analysis based on Mergerstat data for Australian transactions completed between 2008 and 2017, comparing the Mergerstat 'unaffected' share price of the target company to the final offer price.



- current trading prices on the relevant securities exchange.

These methodologies are discussed in further detail in Appendix 5. Ultimately, the methodology adopted is dependent on the nature of the underlying business and the availability of suitably robust information. A secondary methodology is often adopted as a cross-check to ensure reasonableness of outcome, with the valuation conclusion ultimately being a judgement derived through an iterative process.

For profitable businesses, methodologies such as DCF and Capitalised Earnings are commonly used as they reflect 'going concern' values, which typically incorporate some element of goodwill over and above the value of the underlying assets. For businesses that are either non-profitable, non-tradeable or asset rich, Net Assets is typically adopted as there tends to be minimal goodwill, if any. For listed companies, the trading price typically provides an indication of the fair value of a minority interest where trading is liquid and no takeover speculation is evident.

7.2.2 *Selection of methodology*

A discussion of the rationale for the selection of the valuation methodologies is set out below.

DCF methodology

A DCF approach was adopted as our primary methodology for LifeHealthcare's operating business. This approach allows for analysis of key assumptions and for a range of scenarios to be modelled (such as revenue growth and gross margin). The DCF analysis was based on long-term financial models developed by KPMG Corporate Finance on the basis of a Cash Flow Model provided by LifeHealthcare.

KPMG Corporate Finance has undertaken various enquiries in relation to the Cash Flow Model, including holding discussions with LifeHealthcare management in regard to the commercial assumptions underlying the Cash Flow Model and their bases. We have reviewed the key commercial assumptions in the context of current economic, financial and other conditions (e.g. regulatory, forecast industry growth rates by clinical channel). KPMG Corporate Finance is of the view that the forward looking information has been prepared on a reasonable basis and, therefore, is suitable as a basis for our valuations. In making this assessment, we have taken into account the following:

- the Cash Flow Model was prepared by the management of LifeHealthcare in conjunction with their advisors
- the Cash Flow Model is based on the FY18 Forecast and has been updated based upon actual results to 31 December 2017
- the FY18 Budget and Strategic Plan are endorsed by the LifeHealthcare Board
- the Cash Flow Model was prepared for the purpose of the Proposed Transaction. However, KPMG Corporate Finance has no reason to believe that there is any bias, either positive or negative
- each clinical channel is modelled separately. Organic revenue growth rates for each clinical channel are consistent with independent industry growth forecasts, with the exception of

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spine and orthopaedics. In this case, higher growth is expected as a result of LifeHealthcare's focus on young clinicians whose practices are growing more rapidly and the roll out of additional products to existing clinicians

- capital and working capital requirements are consistent with historical experience
- pricing of certain medical devices is regulated and, therefore, is relatively stable and predictable (within regulatory periods)
- contracts with suppliers are long term, and
- there are a range of strategies available to management to mitigate the impact of factors influencing gross margins (e.g. foreign exchange rates).

We have however not tested individual assumptions or attempted to substantiate the veracity or integrity of such assumptions in relation to any forward-looking financial information, or tested the mathematical integrity of the models, however, we have made sufficient enquires including discussing the Cash Flow Model key assumptions with management and where considered necessary, have made adjustments to reflect our judgement.

Capitalised Earnings methodology

A Capitalised Earnings methodology is appropriate for businesses with a long operating history and a consistent earnings trend that is sufficiently stable to be indicative of ongoing earnings potential (which is the case for LifeHealthcare, after taking into account the impact of recent acquisitions). However, there is limited transaction evidence available from which to calculate meaningful multiples and there are no publicly listed entities that are directly comparable to LifeHealthcare.

A Capitalised Earnings approach can be applied to a number of different earnings or cash flow measures, including, but not limited to, EBITDA, EBITA and EBIT and net profit after tax. The choice between parameters is usually not critical and should give a similar result. However, we note that:

- EBITDA is commonly used in capital intensive industries, such that differences in depreciation policies adopted by market participants can make comparisons between companies difficult, and
- EBITDA and EBITA is commonly used in industries where participants have made a large number of acquisitions (such as medical device distribution) and, therefore, companies have large amortisation expenses that vary between companies and countries.

Therefore, multiples of EBITDA and EBITA have been used as a cross-check.

LifeHealthcare has not provided specific guidance for FY18 or beyond. Accordingly, the implied forward multiples have been calculated based on broker consensus forecasts for LifeHealthcare. KPMG Corporate Finance notes that only one broker has published forecasts for LifeHealthcare since the release of the financial results for the first half of FY18. Another broker published forecasts prior to the release of the financial statements for the first half of FY18, however, we note that at the time of publishing, LifeHealthcare had provided preliminary unaudited revenue, underlying EBITDA and underlying NPATA. These estimates have been



compared to LifeHealthcare management's forecasts and we have concluded that the broker forecasts for FY18 and FY19 (although not for FY20) are sufficiently close to LifeHealthcare management's forecasts to be useful for analytical purposes.

Rules of thumb

KPMG Corporate Finance is not aware of any rules of thumb applicable to the medical device distribution industry.

Net Assets

A net asset or cost based methodology is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). Such an approach does not capture growth potential or internally generated intangible value associated with the business and consequently, has not been applied.

7.2.3 *Control premium*

Consistent with the requirements of RG 111, we have assumed 100% ownership in valuing LifeHealthcare and, therefore, our valuation is inclusive of a premium for control. More specifically:

- a number of potential strategic and financial buyers of 100% of LifeHealthcare would be able to save all of LifeHealthcare's public company costs (approximately \$0.6 million in FY17)
- KPMG Corporate Finance has also considered other synergies available to a 'pool' of potential acquirers. There are a range of healthcare distributors of sufficient scale that have operations in Australia. Such an acquirer would also potentially be able to save:
 - a portion of executive salaries (assuming senior executives would need to be replaced with less senior employees)
 - all warehouse costs associated with regional sales offices (assuming the acquirer had its own regional sales offices), and
 - a portion of corporate salaries.

In aggregate, these savings are \$2.2 million. No other synergies have been included as other cost centres (e.g. customer service, facilities, IT and human resources) as it is not clear from our discussions that savings could be achieved in these areas given the current levels of staffing.

KPMG has weighted these savings by 70% to arrive at total savings of \$1.5 million. This adjustment takes into account the following:

- one-off costs associated with achieving savings (e.g. redundancy costs, costs to break sales office leases)
- potential delay in achieving savings (in particular, rationalising corporate functions and transitioning sales offices), and
- risks associated with achieving anticipated savings.

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These savings have been included in the Cash Flow Model.

- an Australian medical device distributor could potentially save a range of other costs (e.g. sales representative salaries and marketing costs, consolidation of head office and national warehouse facilities) and may also be able to leverage substantial revenue benefits (e.g. cross selling opportunities). However, there is only a limited number of medical device distributors in Australia that are of sufficient scale to acquire LifeHealthcare (potentially only Paragon and DTA). Given both the uncertainty as to the ability to achieve these synergies and revenue benefits and the limited number of companies, these additional potential synergies and revenue benefits have not been included
- an international supplier could likely achieve various synergies (e.g. marketing costs) and revenue benefits (e.g. a distribution channel for other products) and could more easily manage exchange rate risk and gross margins, however, it is considered unlikely that a supplier would seek to acquire LifeHealthcare given that certain of LifeHealthcare's supply contracts allow for termination in the event that a change of control involves a competitor
- we have considered a premium for control when assessing our Capitalised Earnings based cross-check. Multiples applied in a Capitalised Earnings methodology are generally based on data from listed companies and recent transactions in a comparable sector, with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued.

The multiples derived for listed comparable companies are generally based on share prices and reflective of the trades of small parcels of shares. As such, they generally reflect prices at which portfolio interests change hands. That is, there is no premium for control incorporated in such pricing. They may also be impacted by the level of liquidity in trading of the particular stock. Accordingly, when valuing a business en bloc (i.e. 100%) it is appropriate to also reference the multiples achieved in recent transactions, where a control premium and breadth of purchaser interest are more fully reflected

7.3 *Valuation of LifeHealthcare's operating business*

7.3.1 *Discounted cash flow analysis*

The DCF analysis was based on a long-term financial model developed by KPMG Corporate Finance on the basis of a Cash Flow Model provided by LifeHealthcare. The DCF analysis projects nominal, after tax cash flows from 1 January 2018 to 30 June 2022, a period of 4.5 years. A terminal value is calculated by capitalising net after tax cash flows based on a fading growth formula²⁵ whereby it is assumed that cash flows initially increase by 5%, declining evenly to 3% over 3 years. The terminal value is equivalent to a multiple of 6.9 to 8.0 times forecast EBITDA as at 30 June 2022). Ungeared, after tax cash flows are discounted by a

$$^{25} V_0 = \frac{D_0 \times (1 + g_L)}{r - g_L} + \frac{D_0 \times H \times (g_S - g_L)}{r - g_L}$$

where D_0 =cash flow, $H=(t/2)$ =half-life (in years) of high growth period, t =length of high growth period, g_S =short-term growth rate, g_L =long-term growth rate, r =required rate of return.



weighted average cost of capital (WACC) in the range of 9.5% to 10.5% (refer to Appendix 6). A corporate tax rate of 30% has been utilised.

Scenario A assumes the business continues on an 'as is' basis. That is:

- revenue growth for each clinical channel is consistent with industry forecasts, except for:
 - spine and orthopaedics, which experience above market organic growth as a result of the focus on young clinicians (whose practices are growing more rapidly) and the introduction of new products to existing clinicians
 - the impact of recent acquisitions of Oceania (orthopaedics) and Point Blank Medical (which allows for the sale of biologics bone repair products) which are successfully integrated and result in the anticipated growth
- there are no further acquisitions
- Prostheses List reforms are implemented and are partially offset by supplier relief
- no loss of foundation suppliers and no new foundation suppliers
- gross margins by clinical channel generally remain constant at FY18 levels, however, overall gross margin increases as a result of the more rapid growth of spine and orthopaedics (which have higher gross margins)
- further inventory optimisation is achieved
- specialised sales representatives are retained (or replaced), and
- exchange rates are constant (broadly consistent with forward curves²⁶).

A summary of the key assumptions underlying Scenario A is set out in Appendix 7.

Scenario A produces a net present value (NPV) range for LifeHealthcare's operating business of \$208.1 million to \$240.6 million. KPMG Corporate Finance has analysed Scenario A to assess the sensitivity of the NPV outcomes to changes in the following variables:

- sales volume from 1 July 2018: +/- 0.5% (i.e. 100.5% or 99.5% of sales)
- gross margin from 1 July 2018: +/- 0.5%
- operating expenditure from 1 July 2018: +/- 0.5% (i.e. 100.5% or 99.5% of operating expenses)
- working capital as a percentage of sales from 1 July 2018: +/- 0.5%
- capital expenditure as a percentage of sales from 1 July 2018: +/- 0.5%

²⁶ Source: Bloomberg, KPMG Corporate Finance analysis

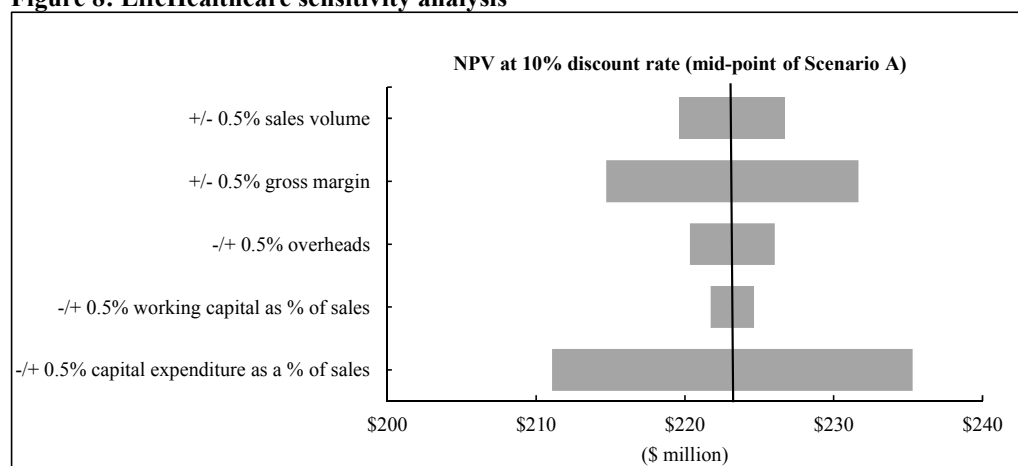
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The output of this sensitivity analysis is summarised below:

Figure 8: LifeHealthcare sensitivity analysis



Source: KPMG Corporate Finance analysis.

The chart above highlights the sensitivity of NPV outcomes to selected movements in a range of commercial assumptions. The analysis indicates that:

- NPV is not particularly sensitive to changes in sales volume. This is because LifeHealthcare has relatively low operating leverage with a large proportion of expenses being variable²⁷. In addition, capital requirements (mainly surgical instruments) are high and are directly related to sales of spine and orthopaedic implants. It should also be noted that NPV is potentially even less sensitive than indicated as the Cash Flow Model does not reflect the following:
 - capital expenditure and purchases of inventory are typically incurred in advance of a product launch, and
 - the chart illustrates the impact of selling new products to existing clinicians or gaining new surgeons within an existing clinical channel (such that there is no requirement for additional sales representatives). The NPV impact would be lower if revenue growth related to sales in a new clinical channel such that it was necessary to hire additional sales representatives
- NPV is highly sensitive to changes in capital expenditure, as capital expenditure requirements are substantial, and
- NPV outcomes are also sensitive to changes in gross margin but are relatively insensitive to changes in operating expenses (which represent a lower share of revenue than cost of goods sold) and working capital.

²⁷ Cost of goods sold represent approximately 48% of FY17 revenue and variable operating expenses represent a further 4% of revenue.



As illustrated above, small changes in certain assumptions can have a disproportionate impact on value. In addition, there are inherent uncertainties about future events and a range of potential outcomes for key assumptions, including:

- **higher or lower sales volumes:** sales volumes may increase as a result of:

- selling new products to existing clinicians
- gaining new surgeons within an existing clinical channel, or
- gaining a new foundation supplier in a new market segment.

Conversely, sales volumes may decrease as a result of increased competition or losing a foundation supplier (e.g. as a result of the acquisition of a foundation supplier or a supplier taking on local distribution).

- **higher or lower sales prices:** a decrease in pricing may occur as a result of further changes to the Prostheses List prices or increases in competition for unregulated products. Alternatively, reduced competition would allow LifeHealthcare to increase unregulated prices. Changes in pricing would potentially impact gross margin
- **an increase or decrease in foreign exchange rates:** changes in foreign exchange rates have the potential to impact gross margin by increasing the Australian dollar cost of goods purchased from suppliers. A depreciation of the A\$/US\$ exchange rate could potentially reduce gross margins while an appreciation of the A\$/US\$ exchange rate could increase gross margins, and
- **increased competition for sales representatives:** competition is greatest in the highly specialised channels of spine and orthopaedics. Increased competition may result in the loss of key sales representatives to a competitor, which could potentially reduce sales volumes or alternatively, may necessitate an increase in salaries of those sales representatives in order to retain them.

It should be noted that the Cash Flow Model (upon which KPMG Corporate Finance's DCF analysis is based) is not fully integrated and as such, it does not take into consideration interrelationships between certain key variables (e.g. the impact of changes in foreign exchange rates on gross margin, or the impact of entering a new clinical channel (since costs such as sales representative salaries are independent of revenues)). Nor does it take into account management's ability to mitigate adverse outcomes.

Nevertheless, KPMG Corporate Finance has developed a range of scenarios for LifeHealthcare in order to illustrate the impact on value of potential changes in key variables. It should also be noted that there is a wide range of other potential outcomes for each variable and even more combinations of those outcomes.

The addition of a foundation supplier is unlikely to occur without an acquisition and although LifeHealthcare continues to evaluate bolt-on acquisitions, there is no assurance it would be successful or on what terms. Consequently this outcome is considered to be hypothetical and has not been modelled.

KPMG Corporate Finance has developed the following scenarios.

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Table 14: LifeHealthcare scenario analysis

Scenario	Description
Scenario A	Base Case assumptions as set out in Appendix 6
Scenario B	Scenario A, except that loss of foundation supplier/increased competition results in 5% lower revenue from FY19
Scenario C	Scenario A, except that the addition of new products to existing clinical channels results in 5% higher revenue from FY19
Scenario D	Scenario A, except that gross margin is 2% lower from FY19
Scenario E	Scenario A, except that gross margin is 2% higher from FY19
Scenario F	Scenario A, except that increased competition for spine and orthopaedic sales representatives results in loss of spine and orthopaedic sales representatives (5% of spine and orthopaedic sales representative salaries from FY19) and 5% of spine and orthopaedics revenue from FY19
Scenario G	Scenario A, except that increased competition for spine and orthopaedic sales representatives increases spine and orthopaedic sales representative salaries by an average of 5% in FY19

Source: KPMG Corporate Finance analysis.

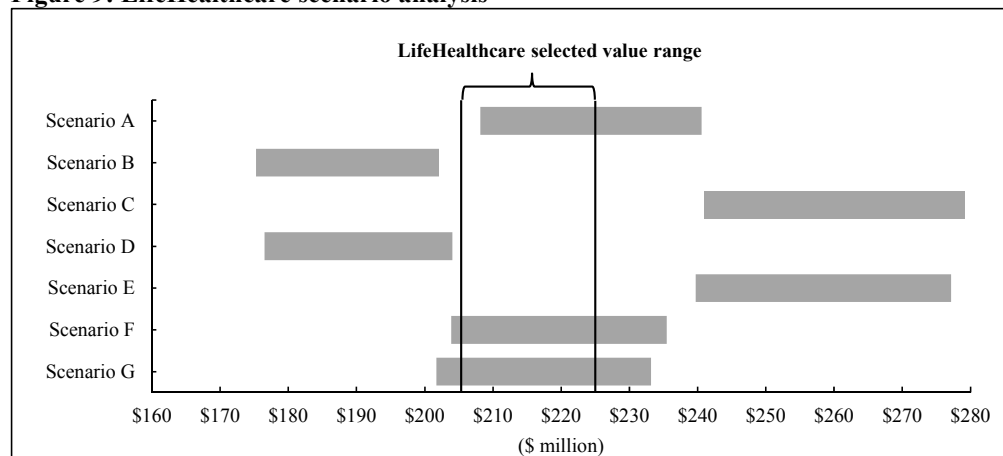
The output of the DCF analysis for a range of discount rates is summarised as follows.

Table 15: LifeHealthcare scenario analysis

Scenario	Discount rate				
	11.0%	10.5%	10.0%	9.5%	9.0%
A	195	208	223	241	261
B	164	175	188	202	219
C	226	241	259	279	303
D	165	177	189	204	221
E	225	240	257	277	301
F	191	204	219	235	255
G	189	202	216	233	253

Source: KPMG Corporate Finance analysis.

The range of values for each scenario (based on a discount rate of 9.5% to 10.5%) is illustrated in the following chart.

Figure 9: LifeHealthcare scenario analysis

Source: KPMG Corporate Finance analysis.



Scenario A contains significant risks as it assumes that all growth strategies are achieved. That is, recent acquisitions are successfully integrated and result in the anticipated revenues and profits, and take up rates for new products and growth in purchases by clinicians occur as expected. In addition, suppliers grant relief in respect to the current Prostheses List reforms and there are no additional adverse industry reforms. Furthermore, there are no increases in competition, all suppliers are retained (or replaced), further inventory optimisation is achieved, specialist sales representatives are retained (or replaced) and there are no adverse movements in foreign exchange rates.

Although NPV outcomes are not particularly sensitive to small changes in volumes, a 5% change in volume (Scenarios B and C) is not unrealistic and results in a substantial change in NPV. However, the model does not take into account the potential for management to reduce fixed costs over time in response to a substantial reduction in volume. In addition, the risk of losing substantially more than 5% of volume is unrealistic since:

- supply agreements are generally long term (two to ten years) and where appropriate, LifeHealthcare also structures protections in its key contracts (e.g. non-solicitation of employees) (refer to Section 6.3.3.1 of this report). Non solicitation clauses would not only act as a deterrent, but in the event a supplier left, a transition period would likely be required
- in many instances, alternative suppliers are available to LifeHealthcare within a particular market segment.

Scenario C represents the sale of additional products to existing clinicians or selling existing products to new clinicians. However as noted, Scenario A already takes into account substantial growth in excess of industry growth. As discussed, the addition of a new foundation supplier has not been modelled (as it is considered hypothetical and in any event, as described above, NPV is less sensitive to changes in revenue arising from the addition of a new clinical channel as additional sales representatives are required).

The NPV outcomes are highly sensitive to movements in gross margins (Scenarios D and E). As discussed above, a decrease in gross margin could occur as a result of a reduction in prices (e.g. due to competition or further changes to the Prostheses List) or an increase in the cost of goods (e.g. due to a depreciation in the Australian dollar). However, it should be noted that there are a range of mitigating factors (many of which LifeHealthcare has successfully implemented in the past²⁸) including:

- potential for LifeHealthcare to partially offset reductions in price through negotiating a reduction in supplier terms
- only a portion of inventory (approximately 23%) is purchased in US dollars and the impact of a depreciation of the Australian dollar is delayed as a result of LifeHealthcare's hedging policies and stock turn (refer to Section 6.4 of this report)

²⁸ The depreciation of the Australian dollar against the US dollar since LifeHealthcare was listed on the ASX by around 12% and at its lowest point, 24% in January 2016 (although it subsequently increased in 2017) resulted in much smaller decline in gross margin (3.9% in FY17).

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- other initiatives, including inventory optimisation or optimisation of reimbursement, as well as changes in product mix.

However, it should be noted that a contraction in gross margin could also occur if supplier relief anticipated in response to the current Prostheses List reforms is not granted or if planned further inventory optimisation is not achieved. An increase in gross margin (Scenario E) is considered unlikely since over time, any increase in margin is likely to be eroded by competition.

Increased competition for sales representatives is a serious risk for LifeHealthcare that has the potential for loss of sales representatives (and potentially, revenue) (Scenario F) or require increased salaries for sales representatives (Scenario G), each of which results in a moderate reduction in NPV. It should be noted, however, that loss of sales representatives will not necessarily result in a loss of sales since clinicians may prefer LifeHealthcare's products and since the General Manager of each clinical channel also has strong relationships with clinicians.

Scenario A contains significant risks for the reasons set out above. Analysis of the scenarios above indicates that there is moderate downside risk (albeit there are a number of mitigating factors) and limited upside (in addition to that already included in the Scenario A). As such in determining a value range, KPMG Corporate Finance has selected a value for the operating business of LifeHealthcare (after consideration of the various Scenarios and the various factors impacting each of them) to be in the range of \$205 million to \$225 million. This range is within the ranges of NPV under Scenarios F and G and below Scenario A at the low end. On this basis, we consider the selected value range appropriately takes into consideration the risks inherent in the cash flows.

7.3.2 *Cross-check*

KPMG Corporate Finance's selected value range for the LifeHealthcare's operating business has been cross-checked having regard to multiples of EBITDA and EBITA for comparable listed healthcare distributors and transactions involving selected medical device distributors. These multiples are summarised below and set out in detail in Appendix 8. EBIT multiples are not included as they are impacted by differences in amortisation between entities.

Transaction evidence

The following table sets out multiples of EBITDA and EBITA implied by recent transactions involving medical device distributors.

**Table 16: Transaction evidence**

Date	Target	Implied Enterprise Value (millions) ¹	EBITDA Multiple ² incl. earn-outs		EBITDA Multiple ³ excl. earn-outs		EBITA Multiple ⁴ excl. earnouts	
			Historical	Forecast	Historical	Forecast	Historical	Forecast
LifeHealthcare transactions								
Oct-17	Point Blank Medical	AS3	n/a	n/a	n/a ⁵	2.2x	n/a	n/a
Jul-17	Oceania Orthopaedics	AS10	n/a	n/a	n/a	n/a	n/a	n/a
Aug-15	Medical Vision Australia Cardiology	AS9	8.7x	n/a	5.9x	n/a	n/a	n/a
May-15	M4 Healthcare Pty Ltd	AS9	5.3x	n/a	5.0x	n/a	n/a	n/a
Nov-13	LifeHealthcare ⁶	AS109	n/a	n/a	7.5x	7.1x	8.8x	8.8x
Paragon transactions								
Feb-18	Surgical Specialties Group	AS32	n/a	n/a	6.6x	n/a	n/a	n/a
Dec-17	Insight Surgical	AS5	5.8x	n/a	5.0x	n/a	n/a	n/a
Dec-17	Seqirus Australia (Immunohaematology)	AS9	n/a	n/a	5.7x	n/a	n/a	n/a
Aug-15	Designs For Vision	AS26	n/a	n/a	6.4x	n/a	n/a	n/a
Aug-15	Western Biomedical	AS29	n/a	n/a	6.8x	n/a	n/a	n/a
Aug-15	Meditron Pty Ltd	AS6	4.5x	n/a	4.0x	n/a	n/a	n/a
Sep-14	Scanmedics Pty Ltd	AS4	n/a	n/a	3.5x	n/a	n/a	n/a
Nov-13	L.R. Instruments and Richards Medical	AS5	4.1x	n/a	3.5x	n/a	n/a	n/a
Other transactions								
Sep-15	Link Healthcare Pty Ltd.	£100	19.6x	n/a	8.7x	n/a	n/a	n/a
Jul-15	Patterson Medical Supply	US\$715	n/a	n/a	10.6x	n/a	n/a	n/a
May-13	Symbion Pty Ltd	NZ\$1,107	n/a	n/a	8.7x	7.5x	n/a	n/a
Oct-12	PSS World Medical Inc.	US\$1,797	n/a	n/a	9.2x	10.1x	11.0x	n/a
Sep-12	Mediq NV	€1,048	n/a	n/a	8.4x	7.7x	10.2x	n/a

Source: Company financial statements, company announcements, press releases, broker reports, S&P Capital IQ, Mergermarket, KPMG Corporate Finance analysis

Notes:

1. Implied enterprise value represents consideration plus net borrowings assumed and displayed in millions as per the local currency relevant to the transaction.
2. Represents the implied enterprise value including earn-outs payable divided by EBITDA, where EBITDA is earnings before net interest, tax, depreciation, amortisation, other income and significant and non-recurring items.
3. Represents the implied enterprise value excluding earn-outs payable divided by EBITDA, where EBITDA is earnings before net interest, tax, depreciation, amortisation, other income and significant and non-recurring items.
4. Represents the implied enterprise value divided by EBITA, where EBITA is earnings before net interest, tax, amortisation, other income and significant and non-recurring items.
5. n/a represents not available.
6. Initial Public Offering (IPO) transactions exclude a control for premium.

In relation to the transaction evidence, the following is relevant:

- most of the transactions involve relatively small companies and consequently, the implied multiples are generally low
- the implied multiple for the IPO of LifeHealthcare does not include a control premium
- Link Healthcare Pty Ltd (Link Healthcare) is of a similar size to LifeHealthcare. The transaction provided Clinigen Group, Inc. with growth opportunities related to the ethical supply of unlicensed medicines into the growing markets in Asia, Africa and Australia. The multiple in the table is calculated including a substantial earn-out that exceeds the upfront consideration and was contingent on the achievement of certain EBITDA targets. It is difficult to draw any meaningful conclusion as to the implied multiple including the earn-out as there is insufficient information to be able to apply an appropriate risk weighting. Excluding the earn-out, the transaction implies a multiple of 8.7 times historical EBITDA

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- the transactions involving companies of substantial scale occurred at multiples in the range of 8.4 to 10.6 times historical EBITDA and 7.5 to 10.1 times forecast EBITDA. In relation to these transactions:
 - the acquisitions of Patterson Medical Supply, Inc. (Patterson Medical) and PSS World Medical Inc. (PSS World) occurred at relatively high multiples, likely reflecting their substantial scale. In addition, significant synergies were anticipated for strategic acquisition of PSS World, while Patterson Medical was a leader in the medical supply field with strong competitive advantages. The historical multiples for PSS World are not meaningful as they include earnings from discontinued operations (which are not included in the forecast). Enterprise value has been adjusted to exclude assets and liabilities associated with discontinued operations, and
 - the transactions involving Symbion Pty Ltd (Symbion) and Mediq N.V. (Mediq) occurred at lower multiples of 8.7 and 8.4 times historical EBITDA and 7.5 and 7.7 times forecast EBITDA, respectively. The acquisition Symbion complemented and aligned to the acquirer's strategic plan while Mediq was acquired by private equity firm, Advent International, suggesting there were limited anticipated synergies (other than public company costs).

Sharemarket evidence

The following table sets out the implied EBITDA and EBITA multiples for selected listed companies engaged in healthcare distribution.

Table 17: Sharemarket evidence

	Market Capitalisation (million) ¹	EBITDA multiple ²			EBITA multiple ³			Gross Profit margin Historical ⁴	Enterprise Value Historical ⁴
		Historical ⁴	Forecast year 1	Forecast year 2	Historical ⁴	Forecast year 1	Forecast year 2		
Australian Medical Device Distributors									
Paragon Care Limited	AS 193	n/a	7.1	n/a	n/a	n/a	n/a	39.4%	AS 234
Australian and New Zealand Healthcare Distributors									
EBOS Group Limited	NZ\$ 2,829	13.8	12.1	11.4	14.7	12.9	12.2	10.7%	NZ\$ 3,302
Sigma Healthcare Limited ⁵	AS 860	10.5	9.2	8.9	11.2	10.7	10.8	6.8%	AS 976
Australian Pharmaceutical Industries Limited	AS 753	6.9	6.2	6.1	8.2	7.3	7.2	12.1%	AS 746
International Medical Device Distributors									
Realcan Pharmaceutical Co. Limited ⁶	CNY 22,132	14.5	9.1	7.5	15.1	11.3	9.0	7.5%	CNY 26,552
WIN-Partners Co. Limited	JPY 49,168	11.0	n/a	n/a	11.0	n/a	n/a	12.9%	JPY 37,122
DVx Incorporated	JPY 13,931	5.2	n/a	n/a	5.2	n/a	n/a	14.5%	JPY 8,522
Hi-Clearance Incorporated	TWD 3,597	10.8	n/a	n/a	12.0	n/a	n/a	21.3%	TWD 3,553
Medtechnica Limited	ILS 223	8.9	n/a	n/a	10.7	n/a	n/a	23.5%	ILS 210

Source: S&P Capital IQ, Merger Market, Company Announcements, Company financial statements, KPMG Corporate Finance analysis

1: Market capitalisation is calculated using closing prices on 21 March 2018

2: EBITDA multiple is calculated by dividing Enterprise Value by EBITDA. EBITDA is earnings before net interest, tax, depreciation, amortisation, investment income and significant and non-recurring items. The Enterprise Value is the market capitalisation plus net debt, preferred equity, and minority interest less investments accounted for using the equity method.

3: EBITA multiple is calculated by dividing Enterprise by EBITA. EBITA is earnings before net interest, tax, amortisation, investment income and significant and non-recurring items

4: Historical is reflective of the latest reported financial year. If the latest reported financial year was prior to 30/06/2017, a last twelve months (LTM) figure using recent announcements has been used as a proxy

6: n/a = not available.



In relation to the table above, the following is relevant:

- multiples are based on sharemarket prices and, therefore, do not typically include a control premium
- multiples for the Australia and New Zealand healthcare distributors are not directly comparable to LifeHealthcare as the primary operations of each company is outside medical devices distribution. In addition, each of these companies is substantially larger than LifeHealthcare. In particular:
 - the primary business of Australian Pharmaceutical Industries Limited (API) and Sigma Healthcare Limited (Sigma) is the distribution of pharmaceutical products and consequently, they are subject to a different regulatory framework. Furthermore, as retail operators as well as wholesale distributors, their gross margins are low and they are exposed to different business risks. In addition, their multiples are likely to be adversely influenced by the recent Pharmaceuticals Benefits Scheme (PBS) reform and increased retail competition in Australia
 - the primary business of EBOS Group Ltd. (EBOS) is also pharmaceuticals (wholesale and retail) (approximately 50% FY17 revenue). EBOS is also involved in the distribution of consumer products, institutional healthcare supplies and animal care products as well as contracts logistics. Its relatively high multiples likely reflect its diversification, strong earnings outlook (particularly in Animal Care) and its substantial scale (despite its relatively low gross margins)
- the multiples from the international medical devices distributors are less comparable as they are subject to different regulatory frameworks, rates of economic growth, demographic trends (e.g. rate ageing population) and take up rates of private healthcare, which significantly impact their growth prospects and margins, and also have different currency exposures. In addition, forecast financial information is not available for most of these companies. In addition:
 - Realcan Pharamceutical Co., Ltd (Realcan) and Win-Partners, Co. Ltd (Win-Partners) are considerably larger than LifeHealthcare and consequently, their multiples are relatively high
 - some of the companies have extensive operations outside of medical device distribution (e.g. Realcan derives a majority (81%) of revenue from pharmaceuticals direct distribution, Hi-Clearance Inc. is also engaged in the design and management of dialysis centres, as well as in haemodialysis management in China). Realcan and Hi-Clearance's relatively high multiples may also reflect the relatively strong economic growth in China
 - even for companies with a greater focus on medical devices, the type of products and clinical channels in which they distribute differ from those of LifeHealthcare. DV-x Inc. and Win-Partners focus on relatively commoditised cardiology devices such as pacemakers and their margins. DV-x's multiples are relatively low, however, Win-Partners' multiples are high, possibly as a result of its substantial scale

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- Medtechnica Ltd. operates as a distributor and service provider of medical equipment in Israel. It offers medical equipment across a wide range of clinical channels including imaging, cardiology, angiography, gastroenterology, operating rooms, urology, proctology, women's health care, ophthalmology, Intensive Care Unit, and ENT. It is the most comparable of the international peers, however, its devices are less specialised than LifeHealthcare and its gross margin is 23.5%. Medtechnica is trading at historical multiples of 8.9 times EBITDA and 10.7 times EBITA, possibly a reflection of its strong earnings growth (23% EBITDA growth in the last 12 month period). We note that the free float for Medtechnica at 21 March 2018 was 39%, which may influence its multiples.
- similar to LifeHealthcare, Paragon Care Limited (Paragon) is a medical device distributor in Australia, however, unlike LifeHealthcare, it primarily distributes capital equipment and consumables as opposed to specialised implantable devices and it focuses on different clinical channels (e.g. bed, mattresses and furniture, refrigeration and temperature management) to LifeHealthcare. Its historical gross margin is 39.4%. Paragon is undertaking an aggressive acquisition program, including five acquisitions completed so far in FY18, with the first full year of earnings from these acquisitions expected in FY19. It is also undertaking a substantial equity raising. Paragon's management has provided pro forma enterprise value and FY18 EBITDA (i.e. adjusting for the impact of the equity raising and acquisitions)²⁹ which result in a multiple of 7.1 times pro forma FY18 EBITDA.

Summary

In summary:

- the IPO of LifeHealthcare occurred at multiples of 7.5 times historical EBITDA and 7.1 times forecast EBITDA. A higher multiple is appropriate for the valuation of 100% of LifeHealthcare
- the acquisition of Link Healthcare (which is of similar size to LifeHealthcare) occurred at a multiple of 8.7 times historical EBITDA (excluding the earn-out)
- other recent transactions involving healthcare distributors of substantial scale have occurred at multiples in the range of 8.4 to 10.6 times historical EBITDA and 7.5 to 10.1 times forecast EBITDA, noting that each of these companies is substantially larger than LifeHealthcare
- in the absence of a direct comparable we have identified Paragon Care as the most comparable company. Its first forecast year multiple is 7.1 times pro forma EBITDA. As a result of LifeHealthcare's specialised product offering, we would expect it to trade at a higher first forecast year multiple than Paragon, and
- Medtechnica is also reasonably comparable. It is trading at multiples of 8.9 times historical EBITDA and 10.7 times historical EBITA.

²⁹ Paragon Care Limited announcement to ASX, 8 February 2018.



Implied multiples

The value attributed to the operating business of LifeHealthcare of \$205 to \$225 million implies the following multiples of EBITDA and EBITA:

Table 18: LifeHealthcare implied multiples

	Variable (\$ million)	Value range	
		Low	High
Value of LifeHealthcare operating business		205.0	225.0
Multiple of EBITDA			
FY17 (actual)	20.4	10.0	11.0
FY18 (broker consensus)	22.4	9.2	10.1
FY18 (normalised ¹)	23.0	8.9	9.8
FY19 (broker consensus)	24.3	8.5	9.3
Multiple of EBITA			
FY17 (actual)	15.7	13.1	14.3
FY18 (broker consensus)	17.5	11.7	12.9
FY18 (normalised ¹)	17.4	11.8	12.9
FY19 (broker consensus)	19.2	10.7	11.7

Source: KPMG Corporate Finance analysis.

Note 1: FY18 EBITDA (normalised) includes full year contribution of Oceania and Point Blank Medical.

LifeHealthcare has not released specific earnings forecasts for FY18 or beyond. Accordingly, the implied forecast multiples set out above are based on the median of broker consensus forecasts for LifeHealthcare (refer to Appendix 3).

The implied historical and forecast EBITDA and EBITA multiples for LifeHealthcare are towards the high end of the transaction evidence and are substantially above the second forecast year multiples for Paragon. This is reasonable since:

- multiples based on sharemarket trading and the IPO of LifeHealthcare do not include a premium for control
- the assessed value incorporates synergies available to healthcare distributors with operations in Australia. It does not include substantial cross selling and cost saving opportunities available to an Australian medical device company
- LifeHealthcare's historical multiples are elevated as they do not include the impact of the acquisitions of Oceania and Point Blank Medical
- LifeHealthcare has a strong growth outlook, and
- LifeHealthcare is of a similar size to Link Healthcare but smaller than a number of other companies included in the transaction evidence.

On this basis, the market based cross-check, in our view, supports the valuation of the LifeHealthcare business derived under the primary DCF analysis.

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7.4 *Other assets and liabilities*

LifeHealthcare's other assets and liabilities have been valued at nil. No value has been attributed to LifeHealthcare's foreign exchange derivatives which had a mark-to-market value of (\$1.0) million as at 31 December 2017 since the value of these derivatives is expected to be realised in the cash flows.

7.5 *Adjusted interest bearing liabilities*

LifeHealthcare's net interest bearing liabilities as at 31 December 2017 have been adjusted by adding cash from exercise of the LifeHealthcare Options, deducting the Interim Dividend³⁰ and deducting the earn-out paid to Point Blank Medical.

Table 19: LifeHealthcare adjusted net interest bearing liabilities

\$ millions	Section reference	
Total interest bearing liabilities at 31 December 2017	6.6	(44.0)
Cash at 31 December 2017	6.6	5.5
Net interest bearing liabilities		(38.5)
Less: payment of Interim Dividend		(3.4)
Plus: cash from exercise of LifeHealthcare Options	6.7	6.4
Less: earnout payable to Point Blank Medical	6.6	(0.3)
Adjusted net interest bearing liabilities		(35.7)

Source: KPMG Corporate Finance analysis.

³⁰ Calculated as \$0.075 multiplied by 44,933,172 LifeHealthcare Shares on issue on the record date for the Interim Dividend (6 March 2018)



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Appendix 1 – KPMG Corporate Finance Disclosures

Qualifications

The individuals responsible for preparing this report on behalf of KPMG Corporate Finance are Ian Jedlin and Sean Collins. Ian is a member of Chartered Accountants Australia and New Zealand, a Senior Fellow of the Financial Securities Institute of Australasia and holds a Master of Commerce from the University of New South Wales. Sean is a Fellow of Chartered Accountants Australia and New Zealand, a Fellow of the Chartered Institute of Securities and Investments in the United Kingdom and holds a Bachelor of Commerce from the University of Queensland. Each has a significant number of years of experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than KPMG Corporate Finance's opinion as to whether the Scheme is in the best interests of LifeHealthcare Shareholders. KPMG Corporate Finance expressly disclaims any liability to any LifeHealthcare Shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, neither KPMG Corporate Finance nor the KPMG Partnership has been involved in the preparation of the Scheme Booklet or any other document prepared in respect of the Proposed Transaction. Accordingly, we take no responsibility for the content of the Scheme Booklet as a whole or other documents prepared in respect of the Scheme.

We note that the forward-looking financial information prepared by the Company does not include estimates as to the potential impact of any future changes in taxation legislation in Australia, the United States, the United Kingdom or Greece. Future taxation changes are unable to be reliably determined at this time.

Independence

In addition to the disclosures in our Financial Services Guide, it is relevant to a consideration of our independence that, during the course of this engagement, KPMG Corporate Finance provided draft copies of this report to management of LifeHealthcare for comment as to factual accuracy, as opposed to opinions which are the responsibility of KPMG Corporate Finance alone. Changes made to this report as a result of those reviews have not altered the opinions of KPMG Corporate Finance as stated in this report.

Consent

KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it is included with the Scheme Booklet to be issued to the LifeHealthcare Shareholders. Neither the whole nor the any part of this report nor any reference thereto may be included in any other document without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears.

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APES 225

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board (APESB). KPMG Corporate Finance and the individuals responsible for preparing this report have acted independently.



Appendix 2 – Sources of Information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information:

- Scheme Booklet (including earlier drafts)
- LifeHealthcare Prospectus for initial public offering, released 4 December 2013
- various ASX company announcements
- various broker and analyst reports
- various press and media articles
- Annual Reports and management results briefing presentations for LifeHealthcare for FY14 to FY17
- LifeHealthcare Interim Financial Reports and management results briefing presentations for the six months ended 31 December 2016 and 31 December 2017
- various other annual reports including those for Cochlear Limited, Fisher & Paykel Healthcare Corporation Limited, ResMed Inc.
- various industry reports and statistics prepared by the Australian Government and its various departments, Mergermarket, IBISWorld, McKinsey & Company, Canadian Trade Commissioner Service, PwC, Reserve Bank of Australia, US Department of Commerce International Trade Administration, EvaluateMedTech, ReportLinker, Research and Markets, and Health Funds Association of New Zealand
- financial information from IRESS, Bloomberg, Thompson Financial Securities, Capital IQ and Connect 4

Non-public information

- unaudited management reports for FY14 to FY17 and for the six months ended 31 December 2016 and 31 December 2017
- FY18 budget for LifeHealthcare (FY18 Budget)
- LifeHealthcare Strategic Plan FY18 (Strategic Plan)
- cash flow model for LifeHealthcare for the period from 1 July 2017 to 30 June 2024 (Cash Flow Model)
- shareholder register analysis, and
- management presentations and other confidential information.

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Appendix 3 – Industry

A. Overview

A medical device is an article, instrument, apparatus or machine that is used in the prevention, diagnosis or treatment of illness or disease, or for detecting, measuring, restoring, correcting or modifying the structure or function of the body for some health purpose.³¹ Products can be categorised as:

- **implantable devices**, which are surgically implanted to replace, support or enhance the existing biological structure of the body, such as screws for total joint prosthesis such as knees and hips, and
- **non implantable devices**, which are used in surgical procedures, do not remain with the patient on discharge and range from products used in similarly complex procedures and devices that are used in conjunction with the implantable device to consumables.

The medical devices industry in Australia comprises over 500 companies, most of which are relatively new.³² The medical devices industry in Australia currently generates more than \$11 billion in revenue and employs more than 19,000 people.³³

Clinical channels

Medical devices and equipment are used in a range of clinical channels including general and plastic surgery, in-vitro diagnostics, orthopaedics, neurophysiology, cardiology, diagnostic imaging, ophthalmology, endoscopy, drug delivery, wound management, dental care, spinal care and respiratory care. In 2022, the largest clinical channels are expected to be in vitro diagnostics and cardiology. Sales of medical devices to these channels are expected to account for 13.3% and 11.9% of global sales, respectively.³⁴

Some clinical channels, particularly ophthalmics and diagnostic-imaging, are dominated by multinationals while other niche channels are serviced by specialised manufacturers and distributors.

Supply chain

The supply chain for medical devices involves research and development, manufacturing, regulatory and compliance and distribution to end customers in the healthcare industry.

Each of these functions is described in further detail below.

Research and development

³¹ World Health Organisation website

³² Medical Technology Association of Australia (MTAA) website. More than half of Australian medical device companies have grown from start-ups and 40% of have been established since 2000.

³³ MTAA media release – Medical Device Industry Response To Premium Increases, 10 February 2017

³⁴ EvaluateMedTech World Preview 2017 Report (September 2017)



Research and development is primarily undertaken (or acquired) by large multinational corporations and conducted in the United States and Europe. In 2017, global research and development expenditure on medical technology was US\$27.1 billion³⁵. During that year, the top two manufacturers in Australia by market capitalisation, Cochlear Limited and ResMed, Inc. contributed US\$113 million³⁶ and US\$145 million³⁷ respectively, which together represents less than 1% of global research and development expenditure.

Manufacturing

The industry is characterised by a high level of globalisation, with key suppliers being predominantly based in the United States, Europe and Japan. These include global multinational corporations such as Medtronic plc, Johnson & Johnson, Abbott Laboratories and Siemens Limited, which are forecast to represent an aggregate 20.1% of the worldwide market share in 2022.³⁸

In 2016, approximately 80% of medical devices and diagnostics used in Australia were imported.³⁹ Domestic manufacturers and suppliers are largely controlled by subsidiaries of global multinational corporations.

The New Zealand market is also heavily dependent on imports with over 90% of equipment imported, with key suppliers consistent with those for Australia.⁴⁰ Fisher & Paykel Healthcare Corporation Limited is the only established, multinational manufacturer in the medical device sector. It is one of the ten largest companies on the local stock exchange and currently achieves sales of NZ\$894 million annually.⁴¹

Regulatory and compliance

All medical devices to be used in Australia must be registered with the Therapeutic Goods Administration (TGA). Products must meet the current standards dictated by the legislative framework and are assessed on a risk-based classification system before being imported into or exported from the Australian market.⁴²

In New Zealand, Medsafe is the regulatory body responsible for ensuring medical devices have acceptable efficacy, quality and safety. Similarly, a risk-based classification system is used and medical devices must be notified to the Web Assisted Notification of Devices (WAND)

³⁵ EvaluateMedTech World Preview 2017 Report (September 2017)

³⁶ Cochlear Limited – Annual Report 2017. Figure approximated from AUD 150 million on an exchange rate of AUD/USD = 0.7545 averaged for Cochlear's FY17 fiscal period, sourced from Reserve Bank of Australia's daily historical exchange rates

³⁷ ResMed Inc. – Annual Report 2017

³⁸ EvaluateMedTech World Preview 2017 Report (September 2017)

³⁹ International Trade Administration – Medical Devices Top Markets Report 2016: Australia

⁴⁰ Canadian Trade Commissioner Service: Medical Technology Sector Profile – Auckland, New Zealand (2012)

⁴¹ Fisher & Paykel Healthcare Corporation Limited – Annual Report 2017

⁴² Australia Government, Department of Health, Therapeutic Goods Administration website

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database to be legally supplied. Although it does not serve as an approval system, the WAND database is used to collect information regarding medical devices supplied in New Zealand.⁴³

Distribution

In Australia, medical devices are primarily distributed by local subsidiaries of multinational corporations, as well as by independent distributors, such as LifeHealthcare, Device Technologies Australia (owned by funds managed by private equity firm Pemba Capital Partners) and ASX listed Paragon Care Limited (Paragon) and to a lesser extent by local manufacturers. Similar to LifeHealthcare, DTA distributes mainly specialised medical devices in Australia and New Zealand. It generated sales of \$357 million in FY17. Paragon supplies primarily to the primary and aged care markets primarily in Australia and generated \$117 million in revenue in FY17. Relative to LifeHealthcare, it supplies a greater share of relatively low margin consumables and non specialised capital equipment.

The Australian market for medical distributors is generally highly fragmented. Independent participants compete to secure exclusive distribution rights for leading global brands of medical devices. Industry consolidation has increased in recent years where leaders continue to expand their customer base and clinical channel offering through acquisitions. Since 2009, Paragon has completed \$87 million of acquisitions⁴⁴ while LifeHealthcare has completed \$31 million of acquisitions since listing on the ASX in December 2013. Further consolidation is expected for the Australian market.⁴⁵

Customers

Customers predominantly comprise healthcare service providers, including public and private hospitals, healthcare facilities, medical practitioners and specialists, and patients. With regard to implantable devices, the surgeon undertaking the procedure is the primary user of the device and the key decision maker in the choice of the device.

Purchasing decisions for non-implantable devices however are not always made at the individual surgeon or clinician level and can extend to a department or hospital wide level. In such cases, however, the decision as to which medical device to choose is still highly influenced by clinical staff at the hospital which can make recommendations to department or hospital procurement teams.

B. Drivers of healthcare expenditure

Healthcare expenditure in Australia and New Zealand is primarily influenced by changes to demographic structures, rising rates of chronic illnesses, increasing health awareness, private insurance coverage and changes in technology.

⁴³ Medsafe website

⁴⁴ Broker report, December 2017

⁴⁵ Mergermarket – Regional Overview: Pharma, Medical & Biotech: Sector Trend Report FY2017 (12 January 2018) p.5.



Ageing population

The emerging global trend of ageing populations is expected to drive continued industry growth and contribute to greater demand per person for medical treatment and devices. Historically, Australia has been characterised by an ageing population with the trend expected to continue over the next fifty years. The proportion of the population aged 65 years and over is forecast to increase from 15% in 2017 to 22% in 2061. By the same year, the age group for 85 years and over is anticipated to experience the highest growth rate and account for approximately 4.5% of the population, driven by the generation of baby boomers moving through the age spectrum.⁴⁶ Similarly, New Zealand is experiencing comparable trends in demographic shifts and population growth which will point to continued strong growth in both public and private expenditure on healthcare.⁴⁷

Rising rates of chronic illnesses

The prevalence of chronic illnesses (e.g. cardiovascular, respiratory, dental, neurological, cancer, endocrine and nutritional and diabetes) are highly correlated with an ageing demographic as well as obesity and lifestyle factors and compels higher fiscal expenditure to service the increased demand for quality healthcare services and equipment. By 2022, it is anticipated that Australian healthcare expenditure on chronic illnesses will increase to \$82 billion (a 49% increase relative to 2012) and to \$123 billion in 2032 (a further 50% increase relative to 2022).⁴⁸

Increasing health awareness

A greater focus is being placed by each generation on maximising their wellbeing and quality of life. Australia's increasing health awareness is highlighted by national declines in smoking rates, alcohol consumption and increased intake of fruit and vegetable.⁴⁹ This will drive the demand for health services as patients become more aware of available treatments and devices, allowing them to seek timely medical intervention and monitor health conditions. Governments and private insurers will also be incentivised to fund medical equipment that are capable of detecting diseases at an earlier stage to minimise the greater costs associated with delayed diagnosis. The boost in funding is expected to fuel industry growth through enabling capital expenditure by hospitals and practitioners. Over the next forty years, government healthcare expenditure in Australia is projected to increase to 5.5% of gross domestic product by 2055 with real health expenditure per capita projected to more than double over the same period.⁵⁰ In New

⁴⁶ Australian Bureau of Statistics - Population Projections, Australia, 2012 (base) to 2101

⁴⁷ Health Funds Association of New Zealand – Annual Review 2017

⁴⁸ Australian Institute of Health and Wellbeing – Projection of Australian Health Care Expenditure by Disease, 2003 to 2033 (December 2008). Chronic illnesses included are: cardiovascular, respiratory, dental, neurological, cancer, endocrine, nutritional & metabolic, diabetes, and digestive

⁴⁹ Australian Bureau of Statistics – National Health Survey: First Results, 2014-15

⁵⁰ Australian Government Intergenerational Report 2015 (latest available report)

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Zealand, it is estimated that public spending on healthcare will reach 9.7% of GDP by 2060, representing a nearly 50% increase on current funding levels.⁵¹

Uptake of private health insurance

Private health insurance coverage is primarily driven by government policies, which are typically aimed to alleviate pressures on the public healthcare system. Initiatives undertaken by the Australian government to encourage uptake include the income-tested private health insurance rebate, Medicare surcharge levy, and Lifetime Health Cover. Government incentives are expected to continue driving policyholder growth. Currently, \$6 billion is invested annually to maintain the affordability of premiums and a wide ranging package of private health insurance reforms were recently introduced as discussed in Section D of this appendix.⁵² As at September 2017, approximately 55% of Australians were covered by private insurance and around 46% were covered for hospital treatments,⁵³ which is projected to grow at an annualised rate of 2.6% to 2022.⁵⁴ In comparison, approximately 29% of the overall population in New Zealand is currently covered by private health insurance. For the year ending 2017, NZ\$1.15 billion of healthcare funding was attributed to private health insurance, representing a sizeable and growing contribution to the national healthcare system.⁵⁵

Changes in technology

Medical equipment technology is playing an ever-increasing role in transforming healthcare delivery, where cutting-edge initiatives are setting the future standards for improved clinical outcomes. The emergence of technology has driven changes in:

- ***surgical techniques*** – most notably, robotic surgeries have been introduced across various surgical disciplines such as general surgery, orthopaedics, neurology, cardiology and urology. The global market for surgical robotics is projected to experience an annualised growth rate of 23.6% to reach US\$24.4 billion by 2023⁵⁶
- ***medical device interoperability*** – the interaction between humans and next-generation health IT allows critical patient data to be captured by devices, such as wearable activity trackers and smart pills, which are then transferred in real-time to networked computers and analysed by healthcare professionals. It is estimated that spending on healthcare solutions using internet of things technologies will increase to US\$1 trillion by 2025⁵⁷
- ***3D printing*** – significant advances have been made in this field which is increasingly being used to develop customisable prosthetics for patients, and has the potential to revolutionise

⁵¹ Health Funds Association of New Zealand – Annual Review 2017

⁵² Australian Government – Department of Health website

⁵³ APRA Statistics - Private Health Insurance Membership and Coverage, September 2017 (released November 2017)

⁵⁴ IBISWorld Business Environment Report – Private Health Insurance Membership (December 2016)

⁵⁵ Health Funds Association of New Zealand – Annual Review 2017

⁵⁶ ReportLinker: Robotic Assisted Surgical Devices (RASD) Market - Global Industry Analysis, Size, Share, Trends and Forecast, 2015 – 2023 (April 2017)

⁵⁷ McKinsey & Company – The Internet of Things: Mapping the value beyond the hype (June 2015)



organ transplants and the body part repair and replacement. The global 3D printing market for medical devices is forecast to grow 17.5% annually to reach US\$1.9 billion by 2022.⁵⁸

Evolving technology is expected to further push the frontiers of innovation in healthcare technology and replace conventional procedures and equipment used today.

C. Trends and outlook

The medical technology industry has witnessed strong performance in recent years as observed from the rapid development and commercialisation of medical devices, such as personalised 3D implants, non-invasive blood glucose monitoring systems, and diagnostic technologies for sleep disorders, neurophysiology and cardiology.⁵⁹ Globally, sales in the medical technology sector is forecast to reach US\$522 billion by 2022, representing an annualised growth rate of 5.1% from sales of US\$387 billion in 2016. During this period, the fastest growing device area is expected to be neurology, with 7.8% market growth per year.⁶⁰

Australia's world-class healthcare delivery system and competitive research and development tax incentive scheme has created an ideal market for prototyping and testing new medical technologies. Likewise, New Zealand is recognised for its leading health IT industry, making it an attractive investment hub for award-winning health technology providers for sophisticated products and information systems.⁶¹ The disruption of technology is anticipated to accelerate the availability of novel technologies intended to meet projected consumer demands, where robots, 3D printing and smart technologies are expected to be standardised across devices, implants and bionics.

Whilst the trends indicate the demand for treatments and devices are set to increase in the long term, there is a significant threat that remains with modern policy settings in Australia and New Zealand in respect of healthcare resources and infrastructure, which are unlikely to meet the future needs of the ageing populations. By 2040, in the absence of a policy that will sustain the projected healthcare demands, Australia is expected to witness a gap of \$57 billion in capital costs, a shortfall of \$30 billion in annual operating costs and a shortage of half a million aged care workers and nurses.⁶² Excess demand over supply and necessary funding may hinder opportunities for industry participants.

⁵⁸ Research and Markets: 3D Printing Medical Devices Market by Component, Technology, Product Type - Global Forecast to 2022 (August 2017)

⁵⁹ Austrade Medical Devices and Diagnostics Industry Capability Report (2016)

⁶⁰ EvaluateMedTech World Preview 2017 Report (September 2017)

⁶¹ New Zealand Trade & Enterprise – Australia hosts NZ's leading health tech companies (April 2015)

⁶² PwC: Reimagining Healthcare in Australia Private Health Insurance – progress towards reform (December 2017)

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D. Regulation

Overview

The medical device markets in both Australia and New Zealand are well-established and supported by a robust regulatory framework, where stringent regulations are imposed on quality management and standards.

Across both regions, the industry is further supported by the highly accessible dual-funding system, in which a higher proportion is subsidised by the public sector. Australian government spending accounts for approximately 70% of total healthcare expenditure whilst the private sector accounts for the remaining 30% primarily through the private health insurance industry, which is regulated by the Australian Prudential Regulation Authority (APRA) and the Minister of Health.⁶³ Therefore, the legislative environment serves an integral role in influencing the volume and pricing of medical devices supplied in the respective markets.

In particular, the prostheses industry is subsidised under the income-tested PHI Rebate. Insurers must pay benefits for a range of prostheses recorded on the Prostheses List, which is maintained by the Prostheses List Advisory Committee.

Reforms

Recent reforms or proposed reforms that have affected or may affect the medical devices sector in Australia and New Zealand include:

- ***demand for prostheses price reduction measures*** – in February 2016, the medical technology sector was requested by the Minister of Health to identify savings for lower pricing on prostheses, as private patients were paying more than their public counterparts through significantly higher private health insurance premiums⁶⁴
- ***medical devices regulatory reforms*** – on 15 September 2016, the Australian Government response to the Review of Medicines and Medical Devices Regulation was released. The regulatory reforms are expected to improve the accessibility of therapeutic goods, reduce the administrative burden on applicants and make the approval process faster without jeopardising safety for consumers. The proposed reforms will provide earlier access to new medical devices and potentially reduce costs for the industry⁶⁵
- ***Prostheses List price reductions*** – on 19 October 2016, prices of cardiac and ophthalmic devices were reduced by 10%, with hip and knee prostheses reduced by 7.5%. The measures are expected to save insurers \$86 million in the initial year and \$394 million over five years⁶⁶

⁶³ International Trade Administration – Medical Devices Top Markets Report 2016: Australia

⁶⁴ Sydney Morning Herald, article: Costing private patients an arm and a leg: Health Minister Sussan Ley demands quick price fix on prostheses (25 February 2016)

⁶⁵ Australia Government, Department of Health, Therapeutic Goods Administration website

⁶⁶ Australian Medical Association, media release: Ley 'Expects' Health Funds To Pass On Prostheses Price Cuts (20 October 2016)



- **further Prostheses List price reductions through PHI reforms** – on 13 October 2017, the Federal Government and the MTAA signed the Affordability of Medical Devices Agreement. In effect to 31 January 2022, the four year agreement is designed to improve access to breakthrough medical technology and affordability of medical devices for privately insured Australians. The reform aims to achieve a number of key outcomes including alleviating premium rises, such as a reduction to prices of medical devices on the Prostheses List, in which every \$200 million in Prostheses List benefit savings is projected to decrease PHI premiums by 1%. The price reductions are expected to deliver over \$300 million in annual benefit reductions, which will save insurers \$1.1 billion in payments for medical devices over the four years.

The initial price cuts occur in two tranches with 80% of the saving taking effect on 1 February 2018, followed by a further 20% reduction from 1 August 2018, with a further price reduction taking place on 1 February 2020.⁶⁷ In January 2018, as a result of the private health insurance reforms, the Minister for Health announced that insurers will have average weighted premium increases of 3.95% effective from 1 April 2018, representing the lowest annual premium change in the last two decades⁶⁸

- **therapeutic products regulatory regime** – due to the cessation of the Australia New Zealand Therapeutic Products Agency (ANZTPA) project, the New Zealand government is preparing legislation to regulate therapeutic products with the intention to replace the current *Medicines Act 1981*.⁶⁹

⁶⁷ Medical Technology Association of Australia (MTAA), website: Agreement between the Government and the MTAA

⁶⁸ Australian Government, Department of Health, Minister for Health website

⁶⁹ Medical Technology Association of New Zealand website

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Appendix 4 – Broker forecasts

In order to provide an indication of the expected future financial performance of LifeHealthcare, KPMG Corporate Finance has considered brokers' forecasts for LifeHealthcare. LifeHealthcare was previously followed by three brokers until late 2017 and is now followed by two brokers. Only one broker has published forecasts since the release of the financial results for the first half of FY18. The other broker published forecasts prior to the release of the financial statements for the first half of FY18, however, we note that LifeHealthcare had provided preliminary unaudited revenue, underlying EBITDA and underlying NPATA in its announcement of the Proposed Transaction. The broker forecasts are summarised in the following tables.

Table 20: Broker consensus forecasts of revenue, gross profit, gross margin and EBITDA

Broker	Report date	Revenue (\$ million)			Gross profit (\$ million)			Gross margin (%)			EBITDA (\$ million)		
		FY18	FY19	FY20	FY18	FY19	FY20	FY18	FY19	FY20	FY18	FY19	FY20
Broker 1	6/02/2018	138.6	144.3	150.7	72.1	75.0	78.4	52.0%	52.0%	52.0%	22.0	22.4	23.4
Broker 2	28/02/2018	140.5	149.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	22.7	26.1	n/a
Minimum		138.6	144.3	150.7	72.1	75.0	78.4	52.0%	52.0%	52.0%	22.0	22.4	23.4
Maximum		140.5	149.0	150.7	72.1	75.0	78.4	52.0%	52.0%	52.0%	22.7	26.1	23.4
Median		139.6	146.7	150.7	72.1	75.0	78.4	52.0%	52.0%	52.0%	22.4	24.3	23.4

Sources: Brokers' reports, KPMG Corporate Finance analysis.

Notes: FY20 data from one broker source only.

Table 212: Broker consensus forecasts of EBITDA margin, EBITA, EBITA margin and dividend per share

Broker	Report date	EBITDA margin (%)			EBITA (\$ million)			EBITA margin (%)			Dividend per share (c)		
		FY18	FY19	FY20	FY18	FY19	FY20	FY18	FY19	FY20	FY18	FY19	FY20
Broker 1	6/02/2018	15.9%	15.5%	15.5%	17.1	17.3	18.1	12.3%	12.0%	12.0%	24.3	14.2	12.5
Broker 2	28/02/2018	16.2%	17.5%	n/a	17.8	21.0	n/a	12.7%	14.1%	n/a	25.5	17.0	n/a
Minimum		15.9%	15.5%	15.5%	17.1	17.3	18.1	12.3%	12.0%	12.0%	24.3	14.2	12.5
Maximum		16.2%	17.5%	15.5%	17.8	21.0	18.1	12.7%	14.1%	12.0%	25.5	17.0	12.5
Median		16.0%	16.5%	15.5%	17.5	19.2	18.1	12.5%	13.0%	12.0%	24.9	15.6	12.5

Sources: Brokers' reports; KPMG Corporate Finance analysis.

Notes: FY20 data from one broker source only. FY18 forecast dividend includes Special Dividend.

In regard to the above, we note:

- only one broker provided forecasts for FY20. This FY20 forecast is not sufficiently close to management's forecasts to be useful and consequently, has not been utilised for the purpose of calculating multiples implied by our DCF valuation. The median broker forecasts for FY18 and FY19 are sufficiently close to management's forecasts to be useful for the purpose of calculating implied multiples
- only one broker provided gross margin estimates, and
- only one broker provided depreciation and amortisation separately. It is assumed that depreciation in FY18 and FY19 is consistent between brokers.



Appendix 5 – Overview of Valuation Methodologies

Discounted cash flow

Under a DCF approach, forecast cash flows are discounted back to the Valuation Date, generating a net present value for the cash flow stream of the business. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the Valuation Date to give an overall value for the business.

In a DCF analysis, the forecast period should be of such a length to enable the business to achieve a stabilised level of earnings, or to be reflective of an entire operating cycle for more cyclical industries. Typically a forecast period of at least five years is required, although this can vary by industry and by sector within a given industry.

The rate at which the future cash flows are discounted (the Discount Rate) should reflect not only the time value of money, but also the risk associated with the business' future operations. This means that in order for a DCF to produce a sensible valuation figure, the importance of the quality of the underlying cash flow forecasts is fundamental.

The Discount Rate most generally employed is the WACC, reflecting an optimal (as opposed to actual) financing structure, which is applied to unleveraged cash flows and results in an Enterprise Value for the business. Alternatively, for some sectors it is more appropriate to apply an equity approach instead, applying a cost of equity to leveraged cash flows to determine equity value.

In calculating the terminal value, regard must be had to the business' potential for further growth beyond the explicit forecast period. This can be calculated using either a capitalisation of earnings methodology or an application of the Gordon Growth Model (e.g. the 'constant growth model', which applies an expected constant level of growth to the cash flow forecast in the last year of the forecast period and assumes such growth is achieved in perpetuity⁷⁰).

Capitalisation of earnings

An earnings based approach estimates a sustainable level of future earnings for a business (maintainable earnings) and applies an appropriate multiple to those earnings, capitalising them into a value for the business. The earnings bases to which a multiple is commonly applied include Revenue, EBITDA, EBIT and NPAT.

In considering the maintainable earnings of the business being valued, factors to be taken into account include whether the historical performance of the business reflects the expected level of future operating performance, particularly in cases of development, or when significant changes occur in the operating environment, or the underlying business is cyclical.

With regard to the multiples applied in an earnings based valuation, they are generally based on data from listed companies and recent transactions in a comparable sector, but with appropriate

⁷⁰ There are other variants of the Gordon Growth Model, including 'fading growth model' where the growth rate is assumed to decline over time and 'two stage growth model' where a high growth period is typically followed by a low growth period.

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adjustment after consideration has been given to the specific characteristics of the business being valued. The multiples derived for comparable quoted companies are generally based on security prices reflective of the trades of small parcels of securities. As such, multiples are generally reflective of the prices at which portfolio interests change hands. That is, there is no premium for control incorporated within such pricing. They may also be impacted by illiquidity in trading of the particular stock. Accordingly, when valuing a business en bloc (100%) we would also reference the multiples achieved in recent transactions, where a control premium and breadth of purchaser interest are reflected.

An earnings approach is typically used to provide a market cross-check to the conclusions reached under a DCF methodology or where the entity subject to valuation operates a mature business in a mature industry or where there is insufficient forecast data to utilise the DCF methodology.

Control premiums

It is generally acknowledged that, in order to acquire a 100% controlling interest in a company, the acquirer should pay a premium over and above the traded price of a minority or portfolio interest.

Observations from transaction evidence indicate that takeover premiums generally range from 25% to 40%⁷¹ for completed takeovers depending on the individual circumstances. In transactions where it was estimated that the combined entity would be able to achieve significant synergies, the takeover premium was frequently estimated to be towards the high end of this range or greater.

In considering the evidence provided by actual transactions, it is important to recognise however that the observed premium for control is an outcome of the valuation process, not a determinant of value and that each transaction will reflect to varying degrees the outcome of a unique combination of factors, including:

- pure control premium in respect of the acquirer's ability to utilise full control over the strategy and cash flows of the target entity
- the level of synergies available to all acquirers, such as the removal of costs associated with the target being a listed entity and/or costs related to duplicated head office functions
- the expected costs to integrate and the uncertainties associated with timing of realising the targeted synergies
- synergistic or special value that may be unique to a specific acquirer
- the nature of the bidder i.e. financial investor vs trade participant
- the stake acquired in the transaction and the bidder's pre-existing securityholding in the target

⁷¹ KPMG Corporate Finance analysis based on Mergerstat data for Australian transactions completed between 2008 and 2017, comparing the Mergerstat 'unaffected' share price of the target company to the final offer price.



- the stage of the market cycle and the prevailing conditions of the economy and capital markets at the time of the transaction
- desire (or anxiety) for the acquirer to complete the transaction
- whether the acquisition is competitive, and
- the extent the target company's security price already reflects a degree of takeover speculation.

It is inappropriate however to apply an average premium without having regard to the circumstances of each case. In some situations there is no premium. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by institutional investors through an initial public offering. Accordingly, it is necessary to consider the particular attributes of the business being valued and decide whether it warrants a higher or lower multiple than the comparable companies. This assessment is essentially a judgement.

Net assets or cost based

Under a net assets or cost based approach, total value is based on the sum of the net asset value or the costs incurred in developing a business to date, plus, if appropriate, a premium to reflect the value of intangible assets not recorded on the balance sheet. Net asset value is determined by marking every asset and liability on (and off) the entity's balance sheet to current market values.

A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the 'book' net asset value, to give a price to net assets, which can then be compared to that of similar transactions or quoted companies.

A net asset or cost based methodology is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). A net asset approach is also useful as a cross-check to assess the relative riskiness of the business (e.g. through measures such as levels of tangible asset backing).

Enterprise or equity value

Depending on the valuation approach selected and the treatment of the business' existing debt position, the valuation range calculated will result in either an enterprise value or an equity value being determined.

An enterprise value reflects the value of the whole of the business (i.e. the total assets of the business including fixed assets, working capital and goodwill/intangibles) that accrues to the providers of both debt and equity. An enterprise value will be calculated if a multiple is applied to unleveraged earnings (i.e. revenue, EBITDA, EBITA or EBIT) or unleveraged free cash flow.

An equity value reflects the value that accrues to the equity holders. To compare an enterprise value to an equity value, the level of net debt must be deducted from the enterprise value. An equity value will be calculated if a multiple is applied to leveraged earnings (i.e. NPAT) or free cash flow, post debt servicing.

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Appendix 6 – Discount Rate

Where cash flow forecasts consist of free cash flows to all providers of funding, the WACC is commonly employed as the basis for determining an appropriate discount rate. For the purposes of our DCF analysis for LifeHealthcare, we have adopted the following discount rate in the range of 9.5% to 10.5%. We consider these rates appropriately reflect the expected return of a hypothetical prudent purchaser, based upon the perceived risks associated with LifeHealthcare.

The selection of an appropriate discount rate to apply to the forecast cash flows of any asset or business operation is fundamentally a matter of judgement rather than a precise calculated outcome. Whilst there is commonly adopted theory that provides a framework for the derivation of an appropriate discount rate, it is important to recognise that given the level of subjectivity involved, the calculated discount rate should be treated as guidance rather than objective truth. Furthermore, discount rate assessments need to consider both current market conditions and future expectations, and to the extent that there are any changes in conditions and expectations over time, an adjustment to the discount rate at a future point in time may be warranted.

In selecting appropriate discount rates to apply to the cash flows of LifeHealthcare, we have determined a nominal WACC to align with the forecast nominal ungeared cash flows being used to derive the resultant DCF values. A WACC represents an estimate of the weighted average required return from both debt holders and equity investors. The WACC is derived using the following formula:

$$\text{WACC} = W_d * K_d * (1 - t) + \left(W_e * K_e * \frac{1 - t}{1 - t * (1 - \gamma)} \right)$$

Table 22: WACC parameters

Parameter	Description
Kd	Pre-tax Cost of debt
Wd	Percentage of debt in capital structure
Ke	Pre-tax Cost of equity
We	Percentage of equity in capital structure
t	Company tax rate
γ	Gamma (The value of franking credits)

Source: KPMG Corporate Finance analysis.

The WACC calculation is typically based on assumptions that may not hold in practice, including:

- a constant optimal capital structure, and
- interest payments on debt being tax deductible.

Cost of equity

The cost of equity can be derived using a modified Capital Asset Pricing Model as follows:

$$K_e = R_f + \beta * (R_m - R_f) + \alpha$$



Table 23: Cost of equity parameters

Parameter	Description
Rf	Risk free rate, representing the return on risk-free assets
Rm	Market rate of return, representing the expected average return on a market portfolio
(Rm - Rf)	Market risk premium, representing the excess return that a market portfolio is expected to generate over the risk free rate
β	Beta factor, being a measure of the systematic risk of a particular asset relative to the risk of a market portfolio
α	Specific risk factor, which may be included to compensate for risks which are not adequately captured in either the other discount rate parameters or the cash flows being discounted

Source: KPMG Corporate Finance analysis.

WACC – LifeHealthcare

KPMG Corporate Finance's rationale for the selection of each of the variables in developing a WACC for LifeHealthcare is discussed below.

Risk free rate

The risk free rate of return is the return on a risk free security, typically for a long-term period. In practice, long dated Government bonds are accepted as a benchmark for a risk free security. In Australia, the 10 year Commonwealth Government bond yield is commonly referenced, of which the spot yield was 2.81% as at 28 February 2018.

However, since the global financial crisis in 2008, Government bond yields have remained low compared to long-term averages. Combined with market evidence which indicates that bond yields and the market risk premium are strongly inversely correlated, it is important that any assessment of the risk free rate should be made with respect to the position adopted in deriving the market risk premium. As we adopt a long term view on the market risk premium (rather than spot), it is also important to do the same with the risk free rate to ensure the combination of the risk free rate and market risk premium represents an appropriate return in the current investment environment.

Consequently, the risk free rate has been selected by reference to both the current spot yield and long term forecast yields on 10 year Australian Government bonds. We have adopted 3.9% as an appropriate risk free rate, which represents a blend of the spot rate and a forecast long-term bond yield of 4.15% (based on an average of long term bond yields sourced from various economic forecast providers including Oxford Economics, BIS Shrapnel, Deloitte Access Economics and KPMG Economics).

Market Risk Premium

Consistent with our approach to the risk free rate, we applied a long term view in setting the market risk premium. A market risk premium of 6.0% is regarded as appropriate by KPMG Corporate Finance for the current long-term investment climate in Australia. Further, it is widely adopted by valuation practitioners in Australia as observed in our most recent Valuation Practices Survey undertaken by KPMG Corporate Finance in July 2017.

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Beta

In selecting an appropriate unlevered beta to apply to LifeHealthcare, KPMG Corporate Finance has considered LifeHealthcare's beta as well as betas for selected listed healthcare distributors in Australia and internationally, as provided below.

Table 24: Betas and gearing for selected medical equipment and healthcare distribution businesses

Company name	Market capitalisation (million)	Levered beta	Unlevered beta	Debt to value	Levered beta	Unlevered beta	Debt to value
		2-year weekly	2-year weekly	2-year avg	5-year monthly	5-year monthly	5-year avg
LifeHealthcare Group Limited	AS 162	n/a	n/a	26%	n/a	n/a	n/a
Australian Medical Device Distributors							
Paragon Care Limited	AS 194	n/a	n/a	18%	n/a	n/a	17%
EBOS Group Limited	NZ\$ 2,828	0.77	0.70	12%	n/a	n/a	14%
Sigma Healthcare Limited	AS 797	1.12	1.08	6%	1.21	1.20	1%
Australian Pharmaceutical Industries Ltd	AS 734	1.24	1.21	3%	1.20	1.11	10%
International Medical Device Distributors							
Realcan Pharmaceutical Co., Ltd.	CNY 22,134	n/a	n/a	4%	n/a	n/a	5%
WIN-Partners Co., Ltd.	JPY 49,206	0.76	0.76	0%	n/a	n/a	n/a
DVx Inc.	JPY 13,962	0.74	0.74	0%	0.85	0.85	0%
Hi-Clearance Inc.	TWD 3,605	n/a	n/a	0%	n/a	n/a	0%
Medtechnica Ltd.	ILS 223	0.82	0.82	0%	n/a	n/a	0%

Source: S&P Capital IQ, KPMG Corporate Finance analysis.

Notes:

1. Data as at 21 March 2018.
2. n/a represents not available or not statistically significant.

In assessing an appropriate unlevered beta for LifeHealthcare, we have had regard to the following:

- unlevered betas that have a low statistical significance or for which there are insufficient data points have been excluded
- API and Sigma share similarities in terms of their geographical exposure, and both have core operations in healthcare and pharmaceutical distribution. They have similar unlevered betas over a two year period (1.21 and 1.08 respectively) and five year period (1.11 and 1.20 respectively), which are at the upper end of the range, likely reflecting their exposure to retail customers
- whilst EBOS shares similarities to API and Sigma, its relatively lower unlevered beta over a two year period (0.70) appears to be driven by its greater diversification
- other companies are less comparable to LifeHealthcare and generally exhibit lower betas (0.73 to 0.74 over a two year period and 0.85 over a five year period)
- Medtechnica is more similar to LifeHealthcare in terms of its specialised medical devices. Its ungeared beta calculated over a two year period is 0.82, and
- intuitively, we would expect a medical distributor, such as LifeHealthcare, which has long term supply contracts and distributes a differentiated product range to niche markets, to have a beta of 1 or slightly below 1.

Taking into account the factors detailed above, KPMG Corporate Finance has selected an ungeared asset beta range of between 0.90 and 1.00 for LifeHealthcare. Based on KPMG



Corporate Finance's selected gearing in the range of 15% to 25%, this results in a levered beta in the range of 1.11 to 1.12.

Gearing

In assessing an appropriate gearing ratio for LifeHealthcare, we note:

- we have considered the level of gearing observed from LifeHealthcare calculated over a two year period of 26%
- most of the companies above have no debt. These companies are low margin distributors, some of which have a retail exposure. This is not the case for LifeHealthcare
- generally, earnings exhibiting low levels of expected volatility are assumed to support higher levels of debt. In this regard, we note that the LifeHealthcare business is secured by long term exclusive agreements with its key suppliers, and its operating leverage is low, and
- companies characterised by higher levels of investment in tangible assets can generally support a higher gearing profile. Approximately 33% of LifeHealthcare's total assets were identified as fixed assets as at 31 December 2017.

Based on the above, we have applied an optimal net debt to value ratio range of 15% to 25%.

Tax rate

We have adopted a corporate tax rate of 30% based on the Australian statutory corporate tax rate.

Size premium

As small companies tend to be more exposed to risk than large companies, an adjustment needs to be incorporated into the discount rate to reflect the inherent risk of smaller companies. Based on LifeHealthcare's market capitalisation of \$122.7 million at 2 February 2018, we have adopted a small stock premium in the order of 1.0%, which is considered appropriate for a company with an equity value between \$100 million and \$250 million, as guided by the findings in the KPMG Valuation Practices Survey 2017.

Company specific risk premium

We note that the specific risks of LifeHealthcare have been captured in the forecast cash flows and through our Scenario analysis which best account for these company specific risks. Accordingly, to avoid double counting, no further allowance for company specific risk has been included in the determination of the discount rate.

Pre-tax cost of debt

We have adopted a long term, pre-tax cost of debt in the range of 4.7% to 5.2%. The long term cost of debt has been approximated by adding the credit risk spread between 5 year BBB (including BBB- and BBB+) rated Australian corporate bonds and 5 year Australian Government bonds (1.2%) to our long term risk free rate (3.9%) and subtracting the yield differential between 5 and 10 year bonds (negative 0.4%). The high end of the range (5.2%) includes an additional premium of 0.5% to reflect refinancing costs and credit rating sustainability risk. We referred to BBB rated corporate debt pricing on the basis that a rational

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investor would seek to maximise gearing in the business to a level at which it can maintain an investment grade rating.

Franking credits (Gamma)

Represented by the parameter gamma, the inclusion of franking credits when calculating the discount rate is subject to considerable debate. The value of gamma to an investor will be determined by the extent that the franking credits can be utilised against the investor's tax liability, and the result will be a value between nil and full value.

However, in assessing the use of a gamma factor for LifeHealthcare, we note that assessing the value of the franking credits requires an understanding of the personal tax circumstances of the shareholders, including the ability to utilise the franking credits. Given that the prevailing tax laws in Australia prevent trading in franking credits, thereby eliminating any open market in franking credits from which the value of such credits can be observed, it is difficult to yield a precise estimate of the value of franking credits.

Consequently, we have not factored any value for franking credits into the determination of the discount rate by assuming a nil value for gamma.

WACC conclusion – LifeHealthcare

The selected parameters result in a calculated WACC for LifeHealthcare in the range of 9.5% to 10.4% as set out as follows.



Table 25: Selected WACC parameters for LifeHealthcare

	Parameter	Low	High
Cost of Equity			
Risk free rate	Rf	3.9%	3.9%
Equity market risk premium	EMRP	6.0%	6.0%
Ungeared beta		0.90	1.00
Tax rate		30%	30%
Gearing (debt/equity)		33%	18%
Geared beta	β	1.11	1.12
Company specific risk premium (alpha)	α	1.0%	1.0%
Cost of equity (post-tax)	Ke	11.6%	11.6%
Cost of Debt			
Base rate		3.9%	4.0%
Corporate Debt Margin	DM	0.8%	1.2%
All in rate (pre-tax)		4.7%	5.2%
Tax rate	T	30%	30%
Cost of debt (post-tax)	Kd	3.3%	3.6%
Capital Structure			
Estimated market value of equity as % of value	We	75%	85%
Estimated market value of debt as % of value	Wd	25%	15%
Post-tax WACC			
Calculated range (rounded)		9.5%	10.4%
Midpoint (rounded)		10.0%	
Selected range		9.5%	10.5%
Midpoint		10.0%	

Source: S&P Capital IQ, KPMG Corporate Finance analysis.

Based on the above analysis, KPMG Corporate Finance has selected a WACC to apply to the post tax, nominal cash flows of LifeHealthcare in the range of 9.5% to 10.5%.

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Appendix 7 – Cash Flow Assumptions

The key cash flow assumptions underlying Scenario A of the DCF analysis are as follows:

- operating cashflows have been developed for each clinical channel
- the cash flows use the FY18 Budget (updated for actual results for the first half FY18) as a starting point
- revenue growth for each clinical channel is consistent with industry forecasts, except for the following channels which experience above industry growth:
 - spine:
 - focus on young clinicians results who have strong practice growth
 - strong growth in 3D printers, biologics and minimally invasive surgery
 - orthopaedics:
 - impact of Oceania acquisition in FY18 (11 months) and FY19 (first full year)
 - launch of a new primary knee implant product in FY20/21
 - biologics bone repair, as a result of the impact of the Point Blank Medical acquisition in FY18 (8 months) and FY19 (first full year)
- no further acquisitions
- no loss of foundation suppliers and no new foundation suppliers
- Prostheses List reforms mainly impact spine revenue and result in a reduction in revenue of 1.3% in February 2018, 0.3% in August 2018 and 1.3% in February 2020. The impact is to reduce revenue by \$0.8 million in FY18, increasing to \$5.5 million in FY20 after the last cut is fully implemented. The decrease in revenue is partially offset by improved supplier terms such that gross margin for spine decreases
- gross margins generally remain constant at FY18 levels and exchange rates are flat (consistent with forward curves). Overall gross margin increases as a result of changes in product mix (more rapid growth of spine and orthopaedics which have higher gross margins)
- operating expenses generally increase by around 2% less than revenue growth
- specialised sales representatives are retained (or replaced)
- growth and maintenance capital expenditure primarily relates to surgical instruments utilised in spine and orthopaedics
- depreciation primarily relates to surgical instruments. Existing instruments are depreciated straight line over 2.5 years and new instruments are depreciated over 5 years.
- payables and receivables days remain constant at FY17 levels. Inventory is a constant proportion of sales as in FY17, except for efficiency savings of 3% of incremental inventory



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in spine and orthopaedics and 1% of incremental inventory in laparo and surgical instruments

- tax is calculated at the statutory tax rate of 30%

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Appendix 8 – Market Evidence

Transaction evidence – medical equipment and healthcare distribution

The following table sets out a summary of transactions involving businesses in the healthcare distribution industry since 2012.

Table 26: Transaction evidence – medical equipment and healthcare distribution

Date	Target	Implied Enterprise Value (millions) ¹	EBITDA Multiple ²		EBITDA Multiple ³		EBITA Multiple ⁴	
			incl. earn-outs	Forecast	incl. earn-outs	Forecast	incl. earn-outs	Forecast
LifeHealthcare transactions								
Oct-17	Point Blank Medical	AS\$3	n/a	n/a	n/a ⁵	2.2x	n/a	n/a
Jul-17	Oceania Orthopaedics	AS\$10	n/a	n/a	n/a	n/a	n/a	n/a
Aug-15	Medical Vision Australia Cardiology	AS\$9	8.7x	n/a	5.9x	n/a	n/a	n/a
May-15	M4 Healthcare Pty Ltd	AS\$9	5.3x	n/a	5.0x	n/a	n/a	n/a
Nov-13	LifeHealthcare ⁶	AS\$109	n/a	n/a	7.5x	7.1x	8.8x	8.8x
Paragon transactions								
Feb-18	Surgical Specialties Group	AS\$32	n/a	n/a	6.6x	n/a	n/a	n/a
Dec-17	Insight Surgical	AS\$5	5.8x	n/a	5.0x	n/a	n/a	n/a
Dec-17	Seqirus Australia (Immunohaematology)	AS\$9	n/a	n/a	5.7x	n/a	n/a	n/a
Aug-15	Designs For Vision	AS\$26	n/a	n/a	6.4x	n/a	n/a	n/a
Aug-15	Western Biomedical	AS\$29	n/a	n/a	6.8x	n/a	n/a	n/a
Aug-15	Meditron Pty Ltd	AS\$6	4.5x	n/a	4.0x	n/a	n/a	n/a
Sep-14	Scanmedics Pty Ltd	AS\$4	n/a	n/a	3.5x	n/a	n/a	n/a
Nov-13	L.R. Instruments and Richards Medical	AS\$5	4.1x	n/a	3.5x	n/a	n/a	n/a
Other transactions								
Sep-15	Link Healthcare Pty Ltd.	£100	19.6x	n/a	8.7x	n/a	n/a	n/a
Jul-15	Patterson Medical Supply	US\$715	n/a	n/a	10.6x	n/a	n/a	n/a
May-13	Symbion Pty Ltd	NZ\$1,107	n/a	n/a	8.7x	7.5x	n/a	n/a
Oct-12	PSS World Medical Inc.	US\$1,797	n/a	n/a	9.2x	10.1x	11.0x	n/a
Sep-12	Mediq NV	€1,048	n/a	n/a	8.4x	7.7x	10.2x	n/a

Source: Company financial statements, company announcements, press releases, broker reports, S&P Capital IQ, Mergermarket, KPMG Corporate Finance analysis

Notes:

1. Implied enterprise value represents consideration plus net borrowings assumed and displayed in millions as per the local currency relevant to the transaction.
2. Represents the implied enterprise value including earn-outs payable divided by EBITDA, where EBITDA is earnings before net interest, tax, depreciation, amortisation, other income and significant and non-recurring items.
3. Represents the implied enterprise value excluding earn-outs payable divided by EBITDA, where EBITDA is earnings before net interest, tax, depreciation, amortisation, other income and significant and non-recurring items.
4. Represents the implied enterprise value divided by EBITA, where EBITA is earnings before net interest, tax, amortisation, other income and significant and non-recurring items.
5. n/a represents not available.
6. Initial Public Offering (IPO) transactions exclude a control for premium.

Description of comparable transactions

A brief description of the selected comparable transactions is provided below.

LifeHealthcare acquisitions

Acquisition of Point Blank Medical (spine services division) by LifeHealthcare

On 11 October 2017, LifeHealthcare acquired PBM's spine services division for a purchase price of \$3.25 million. The acquisition provided LifeHealthcare the rights to promote the spinal



allograft biologics range of Australian Biotechnologies. The long term partnership provides LifeHealthcare entry into the bone repair allograft biologics market in Australia to strengthen its spine market share and expand market coverage for Australian Biotechnologies in their roll out of new product ranges. The distribution agreement is for ten years and is projected to provide a normalised EBITDA of \$1.5 million in the preliminary year post acquisition, implying a forward transaction multiple of 2.2 times.

Acquisition of Oceania Orthopaedics Pty Limited by LifeHealthcare

On 31 July 2017, LifeHealthcare completed the acquisition of Oceania, an independent provider of orthopaedic medical devices and healthcare solutions in Australia and New Zealand. The total consideration comprises of an upfront base payment of \$9.6 million. In addition, LifeHealthcare may also pay undisclosed earn-outs for incremental growth over an annualised period over 18 months. The acquisition is expected to allow LifeHealthcare to extend its presence in orthopaedics for further organic and inorganic expansion and provide various synergistic benefits as a result of the similarities between business models and complementary product portfolio.

Acquisition of Medical Vision Australia Cardiology & Thoracic Pty Limited by LifeHealthcare

On 2 October 2015, LifeHealthcare completed the acquisition of MVA, a distributor of cardiac and thoracic capital and consumable products in Australia. The purchase price comprises of an estimated base payment of \$9.0 million, based on MVA's EBITDA and net cash held in FY15. The transaction included an earn-out payment of up to a maximum of \$4.0 million based on the financial performance of MVA over an 18 month period. The acquisition was part of LifeHealthcare's growth strategy since the IPO and created a platform to growth further into the broader interventional cardiology market. The deal represents an implied multiple of 8.7 times inclusive of earn-outs, and a multiple of 5.9 times excluding earn-outs.

Acquisition of M4 Healthcare Pty Limited by LifeHealthcare

On 27 May 2015, under its wholly-owned subsidiary Lifehealthcare Distribution Pty Limited, LifeHealthcare completed the acquisition of M4. The total consideration included a base payment of \$9.0 million and an earn-out payment capped at \$0.6 million depending on the post-acquisition performance of M4 in the initial year. M4 was a distributor in the point of care ultrasound market in Australia and New Zealand and including products developed by Philips, GE, Sonosite and Siemens. The transaction extended LifeHealthcare's presence in cardiac ultrasound into the growing point of care ultrasound market by providing access to key new customer segments. Based on broker estimates at the transaction date of M4's EBITDA of approximately \$1.8 million, the deal indicates an EBITDA multiple of 5.3 times and 5.0 times including earn-outs and excluding earn-outs, respectively.

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Initial Public Offering of LifeHealthcare

On 5 December 2013, shares commenced trading for LifeHealthcare. Based on a normalised EBITDA of \$1.3 million in FY13 as outlined in the prospectus, the IPO implies a multiple of 7.5 times. Multiples implied by an IPO do not include a control premium.

Paragon transactions

Acquisition of Surgical Specialties Group by Paragon

On 28 February 2018, Paragon announced the acquisition of Surgical Specialties Group (Surgical Specialties), an independent distributor of innovative surgical medical devices to the Australian and New Zealand medical community for a total consideration of \$32.4 million. The acquisition forms part of the portfolio of acquisitions funded by Paragon's recent capital raising. Surgical Specialties will provide Paragon an increased distribution footprint and depth in its product offering, particularly in the orthopaedic, pain management and infection prevention sectors. Based on the reported EBITDA of \$4.9 million generated by Surgical Specialties in CY17, the deal implies an EBITDA multiple of 6.6 times.

Acquisition of Insight Surgical Pty Ltd by Paragon

On 27 December 2017, Paragon announced the acquisition of Insight Surgical Pty Ltd (Insight Surgical) for a consideration of \$5.0 million and a potential earn-out in FY18, which Paragon estimated to be \$0.8 million. Insight Surgical is an independent Australia-based supplier of ophthalmic products from Europe, United States, as well as local manufacturers and own branded products. It provides a highly complementary portfolio to the existing business of Paragon, Designs for Vision, and offers synergistic opportunities including additional sales and leverage of Paragon's platform economics. Based on Insight Surgical's EBITDA of \$1.0 million in 2017, the transaction implies an EBITDA multiple of 5.8 times inclusive of earn-outs, and an EBITDA multiple of 5.0 times, excluding earn-outs.

Acquisition of Seqirus Australia Pty Ltd (Immunohaematology business) by Paragon

On 1 December 2017, Paragon agreed to acquire the immunohaematology business unit from Seqirus Australia Pty Ltd (Seqirus) for a total consideration of \$8.5 million. Seqirus is an Australian based company that produces vaccines and is a subsidiary of CSL Limited, an ASX-listed biopharmaceutical company. Seqirus' immunohaematology business had strong relationships with government organisations and local blood banking and pathology companies, which will strengthen Paragon's product offering to hospitals and the broader pathology market. Based on the acquired business unit's reported EBITDA of approximately \$1.5 million during FY17, the transaction implies a multiple of 5.7 times.

Acquisition of Designs For Vision Pty Ltd by Paragon

On 9 October 2015, Paragon settled the acquisition of Designs For Vision Pty Ltd (DFV) for \$25.5 million and potential earn-outs calculated based on 3.5 times EBITDA growth. Trading for over 40 years and representing over 50 global companies, DFV is a specialist provider of diagnostic and surgical products to the ophthalmology and optometry sector in Australia and New Zealand. The business is seen as highly complementary where DFV will expand Paragon's



customer base by providing access to the ophthalmic market. Based on DFV's EBITDA of \$4.0 million in FY15, the deal implies a multiple of 6.4 times, excluding earn-outs.

Acquisition of Western Biomedical Pty Ltd by Paragon

On 15 October 2015, Paragon completed the acquisition of Western Biomedical Pty Ltd (WBM) for \$28.9 million in cash, with additional potential earn-outs calculated based on 2.5 times EBITDA growth from FY15 to FY17. WBM is a supplier of medical and surgical products and consumables to hospitals and specialists in Western Australia, in which it is the pioneer of GS1 ecommerce and the only direct B2B provider to the Western Australian Health Department. The deal intended to expand Paragon's geographical coverage into Western Australia by providing a platform to market to the health and aged care sectors. WBM will also be able to expand its portfolio nationally via Paragon's existing sales and distribution channels. Based on WBM's EBITDA of \$4.3 million in FY15, the acquisition implies a multiple of 6.8 times excluding earn-outs.

Acquisition of Meditron Pty Ltd by Paragon

On 8 October 2015, Paragon completed the acquisition of Meditron Pty Ltd (Meditron) for a purchase price of \$6.0 million. Additionally, the transaction included potential earn-outs capped at \$0.8 million, calculated based on 2.0 times EBITDA growth for FY15 and FY16. Meditron is a specialist in the sales and servicing of premium medical devices in the urology and ultrasound markets and is the sole and exclusive Australia and New Zealand distributor for various international brands and manufacturers. The transaction expanded Paragon's device portfolio and broaden its market share. Based on Meditron's EBITDA of \$1.5 million in FY15, the acquisition implies a multiple of 4.5 times inclusive of the maximum earn-outs payable, and a multiple of 4.0 times excluding earn-outs.

Acquisition of Scanmedics Pty Ltd by Paragon

On 1 October 2014, Paragon completed the acquisition of Scanmedics Pty Ltd (Scanmedics), a provider of solutions to the healthcare sector in specialist ultrasound, newborn care, aesthetics and cosmetic medicine and patient temperature management for Australia and New Zealand. The consideration of \$4.25 million was predominantly debt funded from Paragon's existing bank facilities and partially funded through the issue of 2.0 million Paragon scrip. The acquisition offers Paragon exposure to the fast growing specialist healthcare markets in New South Wales and further diversifies its product portfolio. The deal represents an FY15 EBITDA multiple of 3.5 times, as reported by Paragon.

Acquisition of L.R. Instruments Pty Ltd and Richards Medical Pty Ltd by Paragon

On 15 January 2014, Paragon acquired surgical and medical products and instrument supplier firms, L.R. Instruments Pty Ltd (L.R. Instruments) and Richards Medical Pty Ltd (Richards Medical) for a combined purchase price of \$5.3 million, and earn-outs of \$0.8 million to be determined in twelve months following the acquisition based on gross profit criteria. The acquisition expanded Paragon's range of product offerings, provide exposure to hospital's operating expense budgets, and diversify its earnings base. Paragon reported that the acquisition

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price represents an FY13 EBITDA multiple of 4.1 times, inclusive of earn-outs, and an implied multiple of 3.5 times excluding earn-outs.

Other transactions

Acquisition of Link Healthcare by Clinigen Group Plc

On 30 October 2015, the United Kingdom listed provider of pharmaceutical products and services, Clinigen Group Plc (Clinigen) acquired Link Healthcare for approximately £100 million. The purchase price includes an initial consideration of £44.5 million and an earn-out of up to £55.5 million. The initial consideration consists of £22.25 million in cash, financed with Clinigen's existing debt facilities, and the issue of new Clinigen shares. The earn-out is payable in cash and subject to achievements of a threshold EBITDA for FY16 and FY17. Link Healthcare is an Australian-based pharmaceutical company engaged in the distribution of prescription drugs, including more than 350 unlicensed drugs and more than 100 licensed medicines. The strategic acquisition of Link Healthcare is expected to broaden Clinigen's distribution network across the Asia, Africa and Australasia regions, enabling it to supply both licensed and unlicensed medicines directly into these growing markets. The global market for the supply of unlicensed medicines is estimated to be worth more than US\$5 billion. The deal implies an EBITDA multiple of 19.6 times inclusive of earnouts, based on Link Healthcare's reported EBITDA of £5.1 million for FY15, and an EBITDA multiple of 8.7 times excluding earnouts.

Acquisition of Patterson Medical by Madison Dearborn Partners, LLC

On 28 August 2015, US-based private equity firm Madison Dearborn Partners, LLC (MDP) completed the acquisition of Patterson Companies, Inc.'s (Patterson) medical therapy division, Patterson Medical, for US\$715 million. Patterson was a global distributor serving the dental, animal health and rehabilitation supply markets that divested its business to take a broadened view of its markets. Patterson Medical was a US-based distributor of rehabilitation, assistive, and splinting products. The transaction intended to support Patterson Medical's growth through the acquisition with the view of the business as an industry leader with strong competitive advantages. The deal represents a multiple of 10.6 times EBITDA for the twelve months ended in 30 April 2015.

Acquisition of Symbion by EBOS Group Limited

On 5 July 2013, the New Zealand based supplier of diversified pharmaceutical, medical and animal care products, EBOS Group Limited (EBOS) acquired Symbion, an Australian wholesaler and provider of pharmaceuticals, for an enterprise value of NZ\$1.1 billion at a multiple of 7.5 times forecast EBITDA. The acquisition was complementary to EBOS' recent acquisitions and formed part of its strategy to expand its business in the Australian markets.

Acquisition of PSS by McKesson Corporation

On 22 February 2013, US-listed provider of healthcare services and information technology, McKesson Corporation (McKesson) completed the all-cash acquisition of PSS. The offer price of US\$29 per share represented a premium of 34.3% based on PSS' closing share price prior to the announcement date and implies an equity value of approximately US\$1.5 billion, based on the 50.3 million shares outstanding at 28 September 2012. PSS marketed and distributed



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medical products and services to throughout the United States. The strategic buyout was expected to realise pre-tax synergies in excess of US\$100 million within four years post-acquisition and strengthen McKesson's medical surgical business. The deal represents a transaction multiple of 10.6 times.

Acquisition of Mediq N.V. by Advent International Corporation

On 1 February 2013, private equity firm Advent International Corporation (Advent) successfully completed its takeover of Mediq for €1.0 billion, financed through a combination of debt and equity. The initial offer of €13.25 made by Advent in September 2013 was 53% higher than the closing price prior to the announcement of the transaction and increased to a final offer price of €14 per share in January 2013. Mediq is an international provider of medical devices, pharmaceuticals and the associated care and has been renamed as Mediq B.V. after being taken private post-acquisition. The transaction rationale follows Mediq's strategic review that led to the preferred long term scenario of delisting the company and continuing in a private setting. Based on the final offer price, the deal implies a transaction multiple of 8.4 times.

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Sharemarket evidence

The following table sets out the implied EBITDA and EBITA multiples for selected listed companies operating in the healthcare distribution industry.

Table 27: Sharemarket evidence

	Market Capitalisation (million) ¹	EBITDA multiple ²			EBITA multiple ³			Gross Profit margin Historical ⁴	Enterprise Value Historical ⁴
		Historical ⁴	Forecast year 1	Forecast year 2	Historical ⁴	Forecast year 1	Forecast year 2		
Australian Medical Device Distributors									
Paragon Care Limited	A\$ 193	n/a	7.1	n/a	n/a	n/a	n/a	39.4%	A\$ 234
Australian and New Zealand Healthcare Distributors									
EBOS Group Limited	NZ\$ 2,829	13.8	12.1	11.4	14.7	12.9	12.2	10.7%	NZ\$ 3,302
Sigma Healthcare Limited ⁵	A\$ 860	10.5	9.2	8.9	11.2	10.7	10.8	6.8%	A\$ 976
Australian Pharmaceutical Industries Limited	A\$ 753	6.9	6.2	6.1	8.2	7.3	7.2	12.1%	A\$ 746
International Medical Device Distributors									
Realcan Pharmaceutical Co. Limited ⁶	CNY 22,132	14.5	9.1	7.5	15.1	11.3	9.0	7.5%	CNY 26,552
WIN-Partners Co. Limited ⁷	JPY 49,168	11.0	n/a	n/a	11.0	n/a	n/a	12.9%	JPY 37,122
DVx Incorporated ⁸	JPY 13,931	5.2	n/a	n/a	5.2	n/a	n/a	14.5%	JPY 8,522
Hi-Clearance Incorporated ⁹	TWD 3,597	10.8	n/a	n/a	12.0	n/a	n/a	21.3%	TWD 3,553
Medtechnica Limited ¹⁰	ILS 223	8.9	n/a	n/a	10.7	n/a	n/a	23.5%	ILS 210

Source: S&P Capital IQ, Merger Market, Company Announcements, Company financial statements, KPMG Corporate Finance analysis

¹ Market capitalisation is calculated using closing prices on 21 March 2018

² EBITDA multiple is calculated by dividing Enterprise Value by EBITDA. EBITDA is earnings before net interest, tax, depreciation, amortisation, investment income and significant and non-recurring items. The Enterprise Value is the market capitalisation plus net debt, preferred equity, and minority interest, which is then adjusted for investments accounted for using the equity method.

³ EBITA multiple is calculated by dividing Enterprise by EBITA. EBITA is earnings before net interest, tax, amortisation, investment income and significant and non-recurring items

⁴ Historical is reflective of the latest reported financial year. If the latest reported financial year was prior to 30/06/2017, a last twelve months (LTM) figure using recent announcements has been used as a proxy

⁵ Sigma Healthcare Ltd's historical EBITDA and EBITA is reflective of the 12 month period ending 31 January 2018

⁶ Realcan Pharmaceutical's historical EBITDA and EBITA is reflective of the LTM period ending 31/12/17

⁷ WIN-Partners Co., Ltd. historical EBITDA and EBITA is reflective of the LTM period ending 30/09/17

⁸ DVx Inc. historical EBITDA and EBITA is reflective the LTM period ending 31/12/17

⁹ Hi-Clearance's historical EBITDA and EBITA is reflective of the LTM period ending 30/09/17

¹⁰ Medtechnica's historical EBITDA and EBITA is reflective of the LTM period ending 31/12/17

¹¹ n/a = not available.

The multiples are based on sharemarket prices as at 21 March 2018 and do not typically include a control premium. A brief description of each company is outlined below.

Australian Medical Device Distributors

Paragon Care Limited

Paragon Care Limited is an Australian company which has progressively acquired businesses in the healthcare sector and emerged as a leading provider of medical equipment, devices and consumables to the acute, aged, primary, community, and hospital care markets in Australia and New Zealand. Specifically, it has exclusive distribution rights for leading brands of beds, mattresses stainless steel equipment, storage and shelving solutions, plus a range of consumable items and other capital equipment. Relative to LifeHealthcare, its products are more commodities and its gross margins are lower. The company has completed five acquisitions in



FY18 including three bolt-on acquisitions in late December 2017 and early January 2018. The most recent acquisitions include:

- Insight Surgical, which is a leading supplier of ophthalmic products servicing customers across Australia. It is a reseller business of ophthalmic brands from Europe and the United States
- Medtech Solutions, which is a service business providing service and maintenance on scientific instruments, and
- Anaequip, which has been the distribution partner for Paragon in Adelaide.

The first full year impact of these acquisitions is FY19.

Australian and New Zealand Healthcare Distributors

EBOS Group Limited

EBOS engages in the marketing, wholesale, and distribution of healthcare, medical, pharmaceutical, and animal care products in Australia and New Zealand. EBOS's operations are spread across five key product categories:

- Pharmacy includes the distribution of pharmaceutical and over-the-counter medicines across Australia and New Zealand and represented 50% of revenue in FY17
- Contracts Logistics services include warehousing, distribution and logistics support for pharmaceutical manufacturers, medical device suppliers and consumer healthcare companies in Australia and New Zealand and represented 8% of revenue in FY17
- Institutional Healthcare includes a range of products and services to public and private hospitals, doctors' surgeries and aged care facilities and represented 21% of revenue in FY17
- Consumer Products includes the ownerships and distribution of high quality consumer products in the healthcare sectors and represented circa 6%
- Animal Care provides sales, marketing, wholesale and distribution support to pet retailers, veterinarians and grocery stores across Australasia. It also holds a retail presence in New Zealand and collectively represented 15% of revenue in FY17

With regard to market segments, 80% of revenue was derived in Australia whilst 20% was derived in New Zealand.

Sigma Healthcare Limited

Sigma Healthcare Limited, together with its subsidiaries, engages in the wholesale and distribution of pharmaceutical products to hospitals and retail pharmacies in Australia and New Zealand. It also operates a pharmacy-led network with approximately 700 pharmacies under the Amcal, Chemist King, Discount Drug Stores, Guardian, and PharmaSave brand names. In addition, it manages and promotes a range of over the counter private and exclusive label products to brand member customers, as well as the Pharmacy Care private label range to pharmacy customers.

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Australian Pharmaceutical Industries Limited

Australian Pharmaceutical Industries Limited (API) engages in the wholesale distribution of pharmaceutical, medical, health, beauty, and lifestyle products to pharmacies across Australia and New Zealand. It also provides wholesale product delivery, marketing programs, and business advisory services, as well as retail services to pharmacies. In addition, the company purchases and sells health, beauty, and lifestyle products within the retail industry; and manufactures and owns the rights of pharmaceutical medicines and consumer toiletries. It markets its products and services under the Soul Pattinson Chemist, Pharmacist Advice, Club Premium, and Pharmacy Best Buys brand names, as well as operates as a franchisor with 462 Priceline & Priceline Pharmacy stores.

International Medical Device Distributors

Realcan Pharmaceutical Limited

Realcan Pharmaceutical Co., Ltd. is a China-based medical service provider. The Company operates its businesses through three segments.

- the Medical Drugs segment is engaged in the provision of Chinese medicine materials, Chinese medicine tablets, Chinese patent medicines, chemical drug materials, chemical preparations, antibiotics, biochemical pharmaceuticals, biological products, psychotropic substances, aesthetic medicines and peptide hormones. Medical Drugs is the largest contributor to revenue at 81% of revenue in 2016
- the Medical Device category encompasses the distribution of large equipment, consumables and In Vitro Drug reagents (IVD). This segment contributed 18.6% revenue in 2016 and is expected to grow considerably over the forecast period. In a highly fragmented market, Realcan Pharmaceutical is considered one of the largest medical device distributors in China.
- the Mobile Medical segment is engaged in the provision of medical and logistics services and mobile medical information services. This product category is considered the smallest segment and contributed 0.1% revenue in 2016.

The Company conducts its businesses mainly within domestic markets, with Shandong as its main market.

WIN-Partners Co, Limited

WIN-Partners Co., Ltd., through its subsidiaries, markets and sells medical devices primarily in Japan. The company distributes balloon catheters, drug-eluting stents, and intravascular ultrasound catheters; pacemakers, implantable cardioverter defibrillators, cardiac resynchronization therapy defibrillators, and ablation catheters; and stent grafts, trans catheter heart valves, and mechanical heart valves. It also distributes peripheral vascular stents, carotid artery stents, and neurovascular occlusion coils; and insulin pumps, x-ray angio system, and magnetic resonance imaging equipment. We note that WIN-Partners carries no debt and a considerable amount of cash in its balance sheet (JPY 12,082), which may influence the enterprise value.



DVx Incorporated

DVx Inc. engages in the import/export of medical devices and related peripheral devices. The company sells arrhythmia-related products, such as cardiac pacemakers, implantable cardioverter defibrillators, electrode catheters, and ablation catheters. It also offers ischemia-related products comprising excimer laser systems; lapis blue products; RADPAD, which reduces scatter radiation exposure to medical personnel during fluoroscopy procedures; RADNEK that reduces scatter radiation exposure to the thyroid in medical personnel during fluoroscopy procedures; RADCAP, which reduces scatter radiation exposure to the head of medical personnel during fluoroscopy procedures; and resolution/resolution SD and wonder belt products. In addition, the company engages in the research, development, manufacture, sale, repair, and leasing of medical devices and related peripheral devices; provision of internal and external medical and medical device-related general consulting and services; and medical publishing and market research activities.

Hi-Clearance Incorporated

Hi-Clearance Inc. supplies medical devices for the renal, cardiac, radiation, dental, oral surgery, and metabolism markets in Taiwan. It is also involved in the design and management of dialysis centres, as well as in haemodialysis management in China. The company offers dialyzers, dialysis machines, RO machines, and relative consumables and drugs; interventional cardiology, interventional radiology, and vascular surgery devices; dental consumables, implant materials, and equipment; blood glucose monitors, and relative consumables and nutrition products; and healthy and natural drinks, as well as operates as an OEM supplier for beverage raw materials and concentrates. It is also involved in the design and management of dialysis centres, as well as in haemodialysis management in China.

Medtechnica Limited

Medtechnica Ltd. operates as a distributor and service provider of medical equipment in Israel. It offers medical equipment for use in various fields, including woman health care, imaging, cardiology, angiography, gastroenterology, operating rooms, urology, proctology, ophthalmology, ICU, ENT, and clinics. The company also provides medical equipment for rehabilitation, neurosurgery, lungs, laboratories and robotics, blood banking, orthopaedics, and oncology, as well as offers general medical devices. It serves institutional customers, such as hospitals. We note that the free float for Medtechnica at 23 February 2018 was 39%, which may influence the implied multiples.

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PART TWO – FINANCIAL SERVICES GUIDE

Dated 29 March 2018

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This FSG forms part of an Independent Expert's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Corporate Finance and the Authorised Representative are authorised to provide

KPMG Corporate Finance holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;
- interests in managed investment schemes including investor directed portfolio services;
- securities;
- superannuation;
- carbon units;
- Australian carbon credit units; and
- eligible international emissions units,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG Corporate Finance to provide financial product advice on KPMG Corporate Finance's behalf.

KPMG Corporate Finance and the Authorised Representative's responsibility to you

KPMG Corporate Finance has been engaged by LifeHealthcare Group (Client) to provide general financial product advice in the form of a Report to be included in Scheme Booklet (Document) prepared by LifeHealthcare Group Limited in relation to the proposal from Pacific Health Supplies BidCo Pty Limited (Transaction).

You have not engaged KPMG Corporate Finance or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the

Document. Neither KPMG Corporate Finance nor the Authorised Representative are acting for any person other than the Client.

KPMG Corporate Finance and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As KPMG Corporate Finance has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees KPMG Corporate Finance may receive and remuneration or other benefits received by our representatives

KPMG Corporate Finance charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Corporate Finance \$125,000 for preparing the Report. KPMG Corporate Finance and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG Corporate Finance officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Corporate Finance's representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and



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benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

Neither KPMG Corporate Finance nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Corporate Finance is controlled by and operates as part of the KPMG Partnership. KPMG Corporate Finance's directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Corporate Finance and the Authorised Representative and not by the KPMG Partnership.

From time to time KPMG Corporate Finance, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

Over the past two years, the KPMG Partnership has received nil professional fees from LifeHealthcare Group Limited and \$2.2 million from Pacific Equity Partners. None of those services have related to the transaction or alternatives to the transaction. No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Corporate Finance or the Authorised Representative know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Corporate Finance or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO
 Box 3, Melbourne Victoria 3001
 Telephone: 1800 367 287
 Facsimile: (03) 9613 6399 Email: info@fos.org.au.

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Corporate Finance has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact KPMG Corporate Finance or the Authorised Representative using the contact details:

KPMG Corporate Finance
 A division of KPMG Financial Advisory Services (Australia)
 Pty Ltd
 ITS 3, International Towers Sydney
 300 Barangaroo Avenue
 Sydney NSW 2000

PO Box H67
 Australia Square
 NSW 1213
 Telephone: (02) 9335 7000
 Facsimile: (02) 9335 7200

Ian Jedlin and Sean Collins
 C/O KPMG
 PO Box H67
 Australia Square
 NSW 1213
 Telephone: (02) 9335 7000
 Facsimile: (02) 9335 7001

Sample Proxy Form

Attachment F



Lodge your vote:

 **Online:**
www.investorvote.com.au

 **By Mail:**
 Computershare Investor Services Pty Limited
 GPO Box 242 Melbourne
 Victoria 3001 Australia

Alternatively you can fax your form to
 (within Australia) 1800 783 447
 (outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
 (custodians) www.intermediaryonline.com


For all enquiries call:
 (within Australia) 1300 171 780
 (outside Australia) +61 3 9415 4370

LHC
 MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030



Scheme Meeting Proxy Form

XX

 **Lodge your proxy and view the Notice of Scheme Meeting Booklet online 24 hours a day, 7 days a week.**

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.



Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999 PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

 **For your vote to be effective it must be received by 10:00am (Sydney time) on Tuesday, 1 May 2018.**

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Scheme Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
 or turn over to complete the form** ➔

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

STEP 1

Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of LifeHealthcare Group Limited hereby appoint

the Chairman of the Meeting **OR**



PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Scheme Meeting of LifeHealthcare Group Limited to be held at Computershare Investor Services Pty Limited, Level 4, 60 Carrington Street, Sydney, NSW, 2000 on Thursday, 3 May 2018 at 10:00am (Sydney time) and at any adjournment or postponement of that Meeting.

STEP 2

Items of Business



PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

1 That, pursuant to and in accordance with section 411 of the Corporations Act, the Scheme, the terms of which are contained in and more particularly described in the Scheme Booklet (of which this Notice of Scheme Meeting forms part) is approved (with or without modification as approved by the Court).

For

Against

Abstain

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

____/____/____

LHC

999999A

Computershare

Corporate Directory

LIFEHEALTHCARE GROUP LIMITED

Level 8, 15 Talavera Road
North Ryde NSW 2113
www.lifehealthcare.com.au

SHAREHOLDER INFORMATION LINE

1300 171 180 (within Australia)
+61 3 9415 4370 (outside Australia)
from 9:00am to 5:00pm (Sydney time)

DIRECTORS

- Bill Best (Chairman)
- John Hickey
- Heith Mackay-Cruise
- Matthew Muscio

COMPANY SECRETARY

- Dean Taylor

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000

FINANCIAL ADVISER TO LIFEHEALTHCARE

UBS AG, Australia Branch
Level 16, Chifley Tower
2 Chifley Square
Sydney NSW 2000

LEGAL ADVISER TO LIFEHEALTHCARE

Gilbert + Tobin
Level 35, Tower Two
International Towers Sydney
200 Barangaroo Avenue
Barangaroo NSW 2000

STOCK EXCHANGE LISTING

LifeHealthcare Group Limited shares are listed on
the Australian Securities Exchange
(ASX Code: LHC)

LifeHealthcare 